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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, 2015

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, 2015, 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, 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue		115,720	133,284
Direct operating costs		(71,508)	(86,473)
Gross profit		44,212	46,811
Other gains and losses		7,593	921
Other income		4,595	5,760
Marketing expenses		(2,134)	(1,982)
Administrative expenses		(61,862)	(67,395)
Other hotel operating expenses		(27,042)	(27,226)
Impairment loss recognised on write-down of properties for/under development		–	(46,700)
Share of (loss) profit of an associate		(24,074)	3,622
Finance costs	5	(675)	(3,901)
Loss before taxation		(59,387)	(90,090)
Income tax credit	6	1,165	26,813
Loss for the year	7	(58,222)	(63,277)
Other comprehensive income (expense):			
Item that will not be reclassified subsequently to profit or loss:			
Share of revaluation reserve of an associate		51,510	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(4,606)	(4,228)
Other comprehensive income (expense) for the year		46,904	(4,228)
Total comprehensive expense for the year		(11,318)	(67,505)

	<i>NOTE</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(52,558)	(55,521)
Non-controlling interests		(5,664)	(7,756)
		<u>(58,222)</u>	<u>(63,277)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(4,490)	(58,681)
Non-controlling interests		(6,828)	(8,824)
		<u>(11,318)</u>	<u>(67,505)</u>
Loss per share			(Restated)
Basic – HK cents	8	<u>(1.74)</u>	<u>(1.87)</u>
Diluted – HK cents		<u>N/A</u>	<u>(1.87)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31st July, 2015*

	<i>NOTES</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		343,487	372,301
Prepaid lease payments		2,606	2,735
Premium on prepaid lease payments		39,914	41,773
Interest in an associate		239,749	212,313
Available-for-sale investments		63,738	63,738
		689,494	692,860
Current assets			
Properties for/under development		373,061	288,358
Inventories		3,065	3,105
Trade and other receivables	9	6,816	8,404
Amount due from an associate		5,552	5,597
Prepaid lease payments		106	103
Investments held for trading		29,960	61,978
Pledged bank deposit		642	642
Bank balances and cash		201,662	42,641
		620,864	410,828
Current liabilities			
Trade and other payables	10	27,741	26,852
Amounts due to related parties		264,761	265,796
Bank and other borrowings		–	12,010
		292,502	304,658
Net current assets		328,362	106,170
Total assets less current liabilities		1,017,856	799,030
Non-current liabilities			
Amount due to a director		50,000	–
Deferred tax liabilities		66,760	68,444
		116,760	68,444
Net assets		901,096	730,586

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Capital and reserves		
Share capital	1,504,752	1,322,924
Reserves	(561,335)	(556,845)
	<hr/>	<hr/>
Equity attributable to owners of the Company	943,417	766,079
Non-controlling interests	(42,321)	(35,493)
	<hr/>	<hr/>
Total equity	<u>901,096</u>	<u>730,586</u>

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 (“HK\$” or “HKD”), 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 have applied, for the first time, the following amendments to HKFRSs and Hong Kong Accounting Standards (“HKASs”) and a new interpretation (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the new and revised 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 on the disclosures set out in these consolidated financial statements.

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ²
Amendments to HKAS 1	Disclosure initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ²
Amendments to HKAS 27	Equity method in separate financial statements ²
Amendments to HKFRS 10 and HKAS 28	Sale and contribution of assets between an investor and its associate or joint venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ²

¹ Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

HKFRS 9 “Financial instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- 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 of the Company are in the process of assessing the financial impact of the application of HKFRS 9.

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 may have significant impact on amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors do not anticipate that the application of the other new and revised HKFRSs will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, 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 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 "Operating segments" are as follows:

Hotel operations	–	hotel business and its related services
Financial investment	–	trading of listed securities and other financial instruments
Property	–	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, 2015

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
GROSS PROCEEDS	115,720	89,005	–	204,725
SEGMENT REVENUE	115,720	–	–	115,720
SEGMENT (LOSS) PROFIT	(22,812)	9,421	(44)	(13,435)
Unallocated expenses				(21,203)
Share of loss of an associate				(24,074)
Finance costs				(675)
Loss before taxation				(59,387)

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>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on:		
Amount due to a director	577	–
Bank and other borrowings	98	3,125
Convertible notes	<u>–</u>	<u>776</u>
	<u>675</u>	<u>3,901</u>

6. INCOME TAX CREDIT

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Tax credit comprises:		
Hong Kong Profits Tax		
Overprovision in prior years	–	(25,548)
Deferred taxation	<u>(1,165)</u>	<u>(1,265)</u>
	<u>(1,165)</u>	<u>(26,813)</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.

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

7. LOSS FOR THE YEAR

	2015	2014
	HK\$'000	HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration	7,722	6,607
Other staff costs		
– Salaries and other benefits	49,306	47,235
– Retirement benefit scheme contributions	2,343	2,213
Total employee benefit expenses	59,371	56,055
Auditor's remuneration	1,900	1,835
Cost of inventories recognised as an expense	23,726	31,736
Depreciation included in:		
– other hotel operating expenses	25,396	25,568
– administrative expenses	1,128	1,926
Loss (gain) on disposal of property, plant and equipment	28	(208)
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	1,646	1,658
Bank and other interest income	(2,158)	(2,541)
Interest income on convertible bond	–	(1,161)
Net foreign exchange (gain) loss	(1,538)	484

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:

	2015 HK\$'000	2014 <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>(52,558)</u>	<u>(55,521)</u>
	2015	2014 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>3,022,251,659</u>	<u>2,961,400,955</u>

The denominator for the purpose of calculating basic loss per share for the year ended 31st July, 2014 has been adjusted to reflect bonus element of the rights issue of shares completed in July 2015 on the basis of one rights share for every two ordinary shares.

No diluted loss per share for the year ended 31st July, 2015 is presented as there are no dilutive potential ordinary shares during the year.

The computation of diluted loss per share for the year ended 31st July, 2014 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 that year.

9. TRADE AND OTHER RECEIVABLES

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables:		
0 to 30 days	2,792	2,873
31 to 60 days	167	73
61 to 90 days	16	26
91 days or above	146	107
	<hr/>	<hr/>
	3,121	3,079
Prepayments and deposits	1,912	3,889
Other receivables	1,783	1,436
	<hr/>	<hr/>
	6,816	8,404
	<hr/> <hr/>	<hr/> <hr/>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables:		
0 to 30 days	3,014	3,162
31 to 60 days	2,630	1,667
61 to 90 days	718	923
91 days or above	202	898
	<hr/>	<hr/>
	6,564	6,650
Accruals	4,965	6,391
Interest payable to a director	577	–
Other payables	15,635	13,811
	<hr/>	<hr/>
	27,741	26,852
	<hr/> <hr/>	<hr/> <hr/>

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$204.7 million for the year ended 31st July, 2015 (2014: HK\$237.1 million), which comprised gross proceeds from sales of securities of HK\$89.0 million (2014: HK\$103.8 million) and income from hotel operations and other business segments totaling HK\$115.7 million (2014: HK\$133.3 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2015 was HK\$52.6 million, as compared to HK\$55.5 million for last year.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2015, the Group had cash of HK\$202.3 million (2014: HK\$43.3 million) mainly in Hong Kong dollars and marketable securities totalling HK\$30.0 million (2014: HK\$62.0 million).

No bank and other borrowings (other than corporate credit card payable classified as “other payable”) were outstanding at 31st July, 2015 (2014: HK\$12.0 million). The bank borrowings as at 31st July, 2014 were denominated in Hong Kong dollars and United States dollars, repayable within one year and carried interest on a floating rate basis.

On 14th May, 2015, the Company announced a proposed rights issue on the basis of one rights share for every two shares in issue at a subscription price of HK\$0.15 per share. The rights issue was completed on 2nd July, 2015 and the issued share capital of the Company was increased to 3,701,751,193 shares.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ funds, was 43.4% at 31st July, 2015 (2014: 48.7%).

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, 2015, the principal activities of the Group are property development, hotel operation, financial investment and related activities.

Property investment and development

During the year, the foundation work of the residential project alongside Hotel Fortuna, Foshan has been completed. According to the development plan, the high-rise residential complex with a total gross floor area of approximately 86,000 square meters is expected to fully utilize the undeveloped permissible plot ratio counted gross floor area of Hotel Fortuna, Foshan.

The Group continues to own the vacant land of approximately 9,553 square meters located in Coloane, Macau for residential development. According to a revised building plan submitted in late 2013, six luxury residential houses will be built with extensive outdoor areas and a gross floor area of approximately 5,000 square meters. The Group is awaiting approval of the building plan for the commencement of the development.

The Group also holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company. 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 has a 75% effective interest in Hotel Fortuna, Foshan with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC. During the year ended 31st December, 2014, the hotel had an average occupancy rate of approximately 58.2% and a turnover of approximately HK\$124.7 million in 2014 compared to HK\$140.2 million in 2013.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. The hotel maintained a high occupancy rate of approximately 92.5% and recorded a turnover of approximately HK\$259.6 million in 2014 compared to HK\$261.3 million in 2013.

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, medical scheme, retirement and other benefits.

At 31st July, 2015, the Group had approximately 550 employees of which approximately 530 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2015 amounted to approximately HK\$59.4 million (2014: HK\$56.1 million).

PROSPECTS

The rights issue completed in July 2015 has further strengthened the financial position of the Group and broadened its capital base. The net proceeds of approximately HK\$181.8 million successfully raised has contributed to the funds needed for the residential development in Foshan, the PRC, which due completion is expected to improve the profitability of the Group and maximize shareholders' value.

Following years of rapid growths, the changes in government policies and other economic factors have somewhat slowed down the economic growth of the PRC and Macau. Facing the challenging business environment and uncertainties, the Group remains confident of the general prosperity and business potential of the regions. The management will continue to closely monitor its existing businesses, and take prudent steps to capture viable business opportunities to maintain sustainable long term growth of the Group.

PLEDGE OF ASSETS

Bank deposit of HK\$642,000 (2014: HK\$642,000) was pledged to banks to secure credit facilities to the extent of HK\$600,000 (2014: HK\$600,000) granted to the Group, of which HK\$5,000 (2014: 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, 2015, 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:

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 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 11th December, 2014 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 profit or loss and other comprehensive income and the related notes thereto for the year ended 31st July, 2015 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, 2015.

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

Hong Kong, 23rd October, 2015

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.