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, 2016

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, 2016, 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, 2016

	NOTES	**2016** *HK$'000*	2015 *HK$'000*
Revenue		**88,496**	115,720
Direct operating costs		**(53,690)**	(71,508)
Gross profit		**34,806**	44,212
Other gains and losses		**(13,867)**	7,593
Other income		**4,007**	4,595
Marketing expenses		**(1,826)**	(2,134)
Administrative expenses		**(52,751)**	(61,862)
Other hotel operating expenses		**(25,326)**	(27,042)
Loss on derecognition of properties for development		**(60,000)**	–
Share of loss of an associate		**(24,446)**	(24,074)
Finance costs	*5*	**(1,253)**	(675)
Loss before taxation		**(140,656)**	(59,387)
Income tax credit	*6*	**1,128**	1,165
Loss for the year	*7*	**(139,528)**	(58,222)
Other comprehensive (expense) income:			
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		**(35,512)**	(4,606)
Other comprehensive (expense) income for the year		**(35,512)**	46,904
Total comprehensive expense for the year		**(175,040)**	(11,318)

	NOTE	**2016** ***HK$'000***	2015 *HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(133,564)**	(52,558)
Non-controlling interests		**(5,964)**	(5,664)
		(139,528)	(58,222)
Total comprehensive expense attributable to:			
Owners of the Company		**(160,085)**	(4,490)
Non-controlling interests		**(14,955)**	(6,828)
		(175,040)	(11,318)
Loss per share	*8*		
Basic – HK cents		**(3.61)**	(1.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st July, 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**297,784**	343,487
Prepaid lease payments		**2,344**	2,606
Premium on prepaid lease payments		**35,967**	39,914
Interest in an associate		**215,303**	239,749
Available-for-sale investments		**63,738**	63,738
		615,136	689,494
Current assets			
Properties for/under development		**399,701**	373,061
Inventories		**2,256**	3,065
Trade and other receivables	*9*	**19,998**	6,816
Amount due from an associate		**5,353**	5,552
Prepaid lease payments		**101**	106
Investments held for trading		**42,421**	29,960
Pledged bank deposit		**642**	642
Bank balances and cash		**73,465**	201,662
		543,937	620,864
Current liabilities			
Trade and other payables	*10*	**28,312**	27,741
Amounts due to related parties		**293,178**	264,761
		321,490	292,502
Net current assets		**222,447**	328,362
Total assets less current liabilities		**837,583**	1,017,856
Non-current liabilities			
Amount due to a director		**50,000**	50,000
Deferred tax liabilities		**61,527**	66,760
		111,527	116,760
Net assets		**726,056**	901,096

	2016	2015
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**1,504,752**	1,504,752
Reserves	**(721,420)**	(561,335)
Equity attributable to owners of the Company	**783,332**	943,417
Non-controlling interests	**(57,276)**	(42,321)
Total equity	**726,056**	901,096

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")

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 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 16	Leases[5]
Amendments to HKFRS 2	Clarifications and measurement of share-based payment transactions[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[1]
Amendments to HKAS 1	Disclosure initiative[3]
Amendments to HKAS 7	Disclosure initiative[6]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[6]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[3]
Amendments to HKAS 27	Equity method in separate financial statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[3]

[1] *Effective for annual periods beginning on or after 1st January, 2018*
[2] *Effective for first annual HKFRS financial statements beginning on or after 1st January, 2016*
[3] *Effective for annual periods beginning on or after 1st January, 2016*
[4] *Effective for annual periods beginning on or after a date to be determined*
[5] *Effective for annual periods beginning on or after 1st January, 2019*
[6] *Effective for annual periods beginning on or after 1st January, 2017*

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 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:

- all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally 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 attributable to a financial liability's 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 is 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. 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.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in these consolidated financial statements. The directors of the Company anticipate that the application of HKFRS 16 in the future will have a material impact on the Group's consolidated financial statements; however, it is not practicable to provide a reasonable estimate of the effect 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.

The financial information relating to the years ended 31st July, 2016 and 2015 included in this preliminary announcement of annual results 2016 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31st July, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st July, 2016 in due course.

The Company's auditor has reported on the financial statements of the Company and its subsidiaries (the "Group") for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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, 2016

	Hotel operations *HK$'000*	Financial investment *HK$'000*	Property *HK$'000*	Consolidated *HK$'000*
GROSS PROCEEDS	**88,496**	**128,727**	**–**	**217,223**
SEGMENT REVENUE	**88,496**	**–**	**–**	**88,496**
SEGMENT LOSS	**(20,889)**	**(13,334)**	**(60,049)**	**(94,272)**
Unallocated expenses				**(20,685)**
Share of loss of an associate				**(24,446)**
Finance costs				**(1,253)**
Loss before taxation				**(140,656)**

For the year ended 31st July, 2015

	Hotel operations *HK$'000*	Financial investment *HK$'000*	Property *HK$'000*	Consolidated *HK$'000*
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)

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

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on:		
Amount due to a director	**1,229**	577
Bank and other borrowings	**24**	98
	1,253	675

6. INCOME TAX CREDIT

	2016	2015
	HK$'000	*HK$'000*
Tax credit comprises:		
Deferred taxation	**(1,128)**	(1,165)

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%.

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

	2016	2015
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' emoluments	**7,804**	7,722
Other staff costs		
– Salaries and other benefits	**36,038**	49,306
– Retirement benefit scheme contributions	**2,297**	2,343
Total employee benefit expenses	**46,139**	59,371
Auditor's remuneration	**1,900**	1,900
Cost of inventories recognised as an expense	**21,390**	23,726
Depreciation included in:		
– other hotel operating expenses	**23,732**	25,396
– administrative expenses	**825**	1,128
(Gain) loss on disposal of property, plant and equipment	**(186)**	28
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	**1,594**	1,646
Bank and other interest income	**(794)**	(2,158)
Net foreign exchange gain	**(713)**	(1,538)

8. LOSS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(133,564)**	(52,558)

	2016	2015
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**3,701,751,193**	3,022,251,659

No diluted loss per share is presented as there are no dilutive potential ordinary shares during both years.

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:

	2016	2015
	HK$'000	*HK$'000*
Trade receivables:		
0 to 30 days	**2,055**	2,792
31 to 60 days	**63**	167
61 to 90 days	**33**	16
91 days or above	**329**	146
	2,480	3,121
Prepayments and deposits	**2,379**	1,912
Receivables from securities brokers	**10,416**	–
Other receivables	**4,723**	1,783
	19,998	6,816

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:

	2016	2015
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**2,589**	3,014
31 to 60 days	**2,177**	2,630
61 to 90 days	**500**	718
91 days or above	**82**	202
	5,348	6,564
Accruals	**3,707**	4,965
Interest payable to a director	**1,806**	577
Other payables	**17,451**	15,635
	28,312	27,741

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$217.2 million for the year ended 31st July, 2016 (2015: HK$204.7 million), which comprised gross proceeds from hotel operations of HK$88.5 million (2015: HK$115.7 million) and income from sales of securities and other business segments totaling HK$128.7 million (2015: HK$89.0 million).

Loss for the year attributable to owners of the Company for the year ended 31st July, 2016 was HK$133.6 million, as compared to HK$52.6 million for last year. The loss for the year was mainly attributable to loss on derecognition of properties for development in Macau amounting to HK$60 million (2015: Nil) and decrease in fair value of investments held for trading amounting to HK$13.9 million (2015: increase in fair value of HK$6.9 million).

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2016, the Group had cash of HK$74.1 million (2015: HK$202.3 million) mainly in Hong Kong dollars and marketable securities totalling HK$42.4 million (2015: HK$30.0 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2016 (2015: Nil).

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 55.3% at 31st July, 2016 (2015: 43.4%).

EXCHANGE RATE EXPOSURE

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

BUSINESS REVIEW

For the year ended 31st July, 2016, the principal activities of the Group are property development, hotel operation, financial investment and related activities.

Property investment and development

Foshan, the PRC

The construction work of the residential project alongside Hotel Fortuna, Foshan is progressing well and superstructure construction has been topped out. The high-rise residential complex with a total gross floor area of approximately 86,000 square meters will fully utilize the undeveloped permissible plot ratio counted gross floor area of Hotel Fortuna, Foshan. Sales and marketing activities are to be launched in the foreseeable future when pre-sales consent is granted. The project is expected to contribute significant revenue to the Group in the years ahead.

Nam Van Lake, Macau

The Group 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. The Group is awaiting approval of the development plan from the Macau government.

Coloane, Macau

The Group owned the vacant land of approximately 9,553 square meters located in Coloane, Macau for residential development ("Land") through a 99% owned subsidiary Sun Fat Investment and Industry Company Limited ("Sun Fat"). Sun Fat first submitted an application to the government authorities for approving the amendment of the land lease concession of the Land ("Approval") in May 2007, followed by a construction plan submitted in November 2007. Sun Fat continued to liaise with the government authorities and submit revised development plans in 2012 and 2013 revising the plan from developing semi-detached houses with a total gross floor area of approximately 16,700 square meters to a low density development of six luxury villas with a total gross floor area of approximately 4,400 square meters in the hope of obtaining the Approval for early commencement of the residential project. However, the Approval has not been obtained.

On 5th August, 2016, the Group received a written notification from the Land, Public Works and Transport Bureau of Macau（土地工務運輸局）addressed to Sun Fat informing among others, that the validity period of the land grant in respect of the Land has expired and as a result the land grant become invalid and the Land shall be returned to the Macau government without compensation. In view of the above, a loss of HK$60 million has been recognised in the year under review being loss on derecognition of the Land.

The Land is included by the Macau government in a published list in which non-development of those land is not attributable to the concessionaires. The Directors are disappointed with the above notification and consider that the Group has valid grounds to challenge the legitimacy of the Macau government reclaiming the Land without compensation. The Group has lodged a judicial appeal with the court of Macau and continues to seek legal advices as to the possible steps that can be taken under the circumstances.

Under the agreements in relation to the Group's acquisitions of a total of 99% interest in Sun Fat in June and November 2007, the vendor has to return to the Group the full amounts that it has received (without interest) in cash in the event that the Approval is not obtained before a specified long stop date or if it has become impossible for Sun Fat to obtain the Approval for whatever reason. As the Macau government now reclaims the Land held by Sun Fat, the Group has on 26th August, 2016 entered into deeds of settlement with the vendor of Sun Fat and a warrantor that they will repay to the Group a total of approximately HK$298.0 million by instalments. As set out in the announcement of the Company dated 26th August, 2016, the Group will receive instalments of HK$60.0 million, HK$120.0 million and approximately HK$118.0 million on or before 31st December, 2016, 2017 and 2018 respectively in accordance with the agreed repayment schedule. Up to the date of this report, HK$20.0 million has been received from the vendor.

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, 2015, the hotel had a stable occupancy rate of approximately 54.7% and a turnover of approximately HK$102.3 million in 2015 compared to HK$124.7 million in 2014. The drop in turnover was mainly due to the outsourcing of certain ancillary services to save non-core business cost and resources.

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 89.9% and recorded a turnover of approximately HK$214.2 million in 2015 compared to HK$259.6 million in 2014.

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, 2016, the Group had approximately 420 employees of which approximately 400 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2016 amounted to approximately HK$46.1 million (2015: HK$59.4 million).

PROSPECTS

On 4th August, 2016, the Company entered into a placing agreement with a placing agent to place 185,000,000 new shares on a best effort basis at a placing price of HK$0.077 per share. The placing was completed on 17th August, 2016 and the number of shares in issue of the Company was increased to 3,886,751,193 shares. The placing has further strengthened the financial position of the Group and broadened its capital base. The net proceeds of approximately HK$13.8 million successfully raised will contribute to the general working capital of the Group.

As discussed in the foregoing paragraphs, the expected sales contribution from the Foshan residential project in the foreseeable future, which together with the agreed repayment from the vendor of Sun Fat will further enhance the Group's cash position, providing the Group with extra funding to fund its existing operations and seize sound investment projects when opportunities arise.

The Group recognises that the economic growth of the PRC and Macau has been modest in recent years but remains overall confident of the general prosperity and business potential of the regions. Facing the challenging business environment and uncertainties, 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 (2015: HK$642,000) was pledged to banks to secure credit facilities to the extent of HK$600,000 (2015: HK$600,000) granted to the Group, of which HK$56,000 (2015: 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, 2016, 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, 2016 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, 2016.

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

Hong Kong, 25th October, 2016

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.