

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

INTERIM RESULTS SIX MONTHS ENDED 31ST JANUARY, 2017

The directors of Capital Estate Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2017 together with the comparative figures for the six months ended 31st January, 2016 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31ST JANUARY, 2017

		Six months ended	
	<i>NOTES</i>	31.1.2017 HK\$'000 (unaudited)	31.1.2016 HK\$'000 (unaudited)
Revenue	3	40,021	50,911
Direct operating costs		<u>(25,797)</u>	<u>(30,202)</u>
Gross profit		14,224	20,709
Other gains and losses	4	61,405	(14,962)
Other income		1,562	2,050
Marketing expenses		(1,125)	(885)
Administrative expenses		(25,652)	(27,733)
Other hotel operating expenses		(12,073)	(12,885)
Share of profit (loss) of an associate		3,860	(9,347)
Finance costs	5	<u>(617)</u>	<u>(623)</u>
Profit (loss) before taxation		41,584	(43,676)
Income tax credit	6	<u>546</u>	<u>572</u>
Profit (loss) for the period	7	<u>42,130</u>	<u>(43,104)</u>
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(17,193)</u>	<u>(27,558)</u>
Other comprehensive expense for the period		<u>(17,193)</u>	<u>(27,558)</u>
Total comprehensive income (expense) for the period		<u>24,937</u>	<u>(70,662)</u>

		Six months ended	
		31.1.2017	31.1.2016
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		45,478	(40,780)
Non-controlling interests		(3,348)	(2,324)
		<u>42,130</u>	<u>(43,104)</u>
Total comprehensive income (expense)			
for the period attributable to:			
Owners of the Company		32,646	(61,360)
Non-controlling interests		(7,709)	(9,302)
		<u>24,937</u>	<u>(70,662)</u>
Profit (loss) per share	<i>8</i>		
Basic – HK cents		<u>1.17</u>	<u>(1.10)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST JANUARY, 2017

	<i>NOTES</i>	31.1.2017 HK\$'000 (unaudited)	31.7.2016 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		279,326	297,784
Prepaid lease payments		2,221	2,344
Premium on prepaid lease payments		34,108	35,967
Interest in an associate		219,163	215,303
Available-for-sale investments		63,738	63,738
		<u>598,556</u>	<u>615,136</u>
Current assets			
Properties for/under development		432,213	399,701
Inventories		2,864	2,256
Trade and other receivables	<i>9</i>	7,633	19,998
Amount due from an associate		7,713	5,353
Prepaid lease payments		98	101
Investments held for trading		–	42,421
Pledged bank deposit		642	642
Bank balances and cash			
– Restricted	<i>10</i>	14,143	–
– Others		187,720	73,465
		<u>653,026</u>	<u>543,937</u>
Current liabilities			
Trade and other payables	<i>11</i>	30,512	28,312
Deposits from pre-sale of properties		21,038	–
Amounts due to related parties		326,234	293,178
		<u>377,784</u>	<u>321,490</u>
Net current assets		<u>275,242</u>	<u>222,447</u>
Total assets less current liabilities		<u>873,798</u>	<u>837,583</u>

	31.1.2017 HK\$'000 (unaudited)	31.7.2016 <i>HK\$'000</i> (audited)
Non-current liabilities		
Amount due to a director	50,000	50,000
Deferred tax liabilities	59,038	61,527
	<u>109,038</u>	<u>111,527</u>
Net assets	<u>764,760</u>	<u>726,056</u>
Capital and reserves		
Share capital	1,518,519	1,504,752
Reserves	(688,774)	(721,420)
Equity attributable to owners of the Company	829,745	783,332
Non-controlling interests	(64,985)	(57,276)
Total equity	<u>764,760</u>	<u>726,056</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31ST JANUARY, 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31st July, 2016 that is included in the condensed consolidated financial statements for the six months ended 31st January, 2017 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

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

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st January, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st July, 2016.

Revenue recognition

Sale of properties

Revenue from sale of properties in the ordinary course of business is recognised when the development of the relevant properties have been completed and the properties have been delivered to the buyers pursuant to the sale agreements. Deposits received from sale of properties prior to meeting the criteria for revenue recognition are recorded as “deposits from pre-sale of properties” under current liabilities.

3. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker ("CODM"), being the executive directors of the Company, for the purpose of resource allocation and performance assessment 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 property for/under development

Information regarding these segments is reported below.

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

Six months ended 31st January, 2017

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Total HK\$'000
Gross proceeds	<u>40,021</u>	<u>42,493</u>	<u>–</u>	<u>82,514</u>
Segment revenue	<u>40,021</u>	<u>–</u>	<u>–</u>	<u>40,021</u>
Segment (loss) profit	<u>(13,055)</u>	<u>1,325</u>	<u>59,982</u>	<u>48,252</u>
Unallocated income				5
Unallocated expenses				(9,916)
Share of results of an associate				3,860
Finance costs				(617)
Profit before taxation				<u>41,584</u>

Six months ended 31st January, 2016

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross proceeds	<u>50,911</u>	<u>91,619</u>	<u>–</u>	<u>142,530</u>
Segment revenue	<u>50,911</u>	<u>–</u>	<u>–</u>	<u>50,911</u>
Segment loss	<u>(9,027)</u>	<u>(14,711)</u>	<u>(21)</u>	(23,759)
Unallocated expenses				(9,947)
Share of results of an associate				(9,347)
Finance costs				<u>(623)</u>
Loss before taxation				<u>(43,676)</u>

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

Other segment information

The following other segment information is included in the measure of segment profit (loss):

For the six months ended 31st January, 2017

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Depreciation	(11,301)	–	–	(362)	(11,663)
Interest income	30	–	–	–	30
Interest income from investments held for trading	–	74	–	–	74
Gain on disposal of property, plant and equipment	<u>36</u>	<u>–</u>	<u>–</u>	<u>260</u>	<u>296</u>

For the six months ended 31st January, 2016

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Depreciation	(12,077)	–	–	(413)	(12,490)
Interest income	42	1	–	–	43
Interest income from investments held for trading	–	251	–	–	251
Gain on disposal of property, plant and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>189</u>	<u>189</u>

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2017	31.1.2016
	HK\$'000	HK\$'000
Dividend income from investments held for trading	1,333	21
Increase (decrease) in fair value of investments held for trading	72	(14,983)
Settlement consideration (<i>note</i>)	60,000	–
	<u>61,405</u>	<u>(14,962)</u>

Note:

The Group had a property development project in Macau (the “Macau properties”). The Group has submitted application and development plan to the relevant Macau government authorities since 2007 and continued to liaise with the government authorities in relation to obtaining approval. The Group did not commence construction activities of the Macau Properties pending government approval on the revised development plan.

On 5th August, 2016, the Company, through Sun Fat Investment and Industry Company Limited (“Sun Fat”), an indirect 99% owned subsidiary of the Company, received a written notification dated 1st August, 2016 from the Land, Public Works and Transport Bureau of Macau (the “Notification”) informing that, among others, (i) the Chief Executive of Macau has, based on the opinion of the Secretary for Transport and Public Works Land, instructed that as the validity period of the land grant in respect of the parcel of land regarding the Macau Properties (the “Macau Land”) has expired, such land grant has become invalid (the “Instruction”); (ii) as a result of the land grant of the Macau Land becoming invalid, any form of improvements on the Macau Land shall be returned to the government of Macau with no responsibility or burden and Sun Fat shall not be entitled to any compensation; (iii) Sun Fat may, within 30 days of the Notification, lodge a judicial appeal with the Court of Second Instance of Macau in respect of the Instruction; and (iv) Sun Fat may, within 15 days of the Notification, raise a statement of objection with the Chief Executive of Macau. Sun Fat lodged a judicial appeal in September, 2016.

Based on the register of the Properties Registration Bureau of Macau which is publicly available, Sun Fat’s title on the Macau Land was deregistered on 28th July, 2016 pursuant to a decree published in the Gazette of Macau dated 27th July, 2016. Accordingly, the Group derecognised the Macau Properties with a carrying amount of HK\$60,000,000, comprising cost incurred less cumulative impairment loss of HK\$241,233,000, which was recognised in profit or loss during the year ended 31st July, 2016.

On 26th August, 2016, the Group, through two wholly owned subsidiaries, entered into deeds of settlement with Kong Kei Construction Limited (“Kong Kei”), vendor of 99% equity interest of Sun Fat, and a warrantor to Kong Kei (the “Warrantor”). Pursuant to the deeds of settlement, as the Group could not obtain approval from the relevant Macau government authorities in respect of the application of the land lease concession of the Macau Land and in light of the Notification, Kong Kei and the Warrantor agreed to repay to the Group an aggregate sum of approximately HK\$298.0 million (the “Settlement Sum”) which was the actual amount paid by the Group to Kong Kei for the acquisition of 99% equity interest of Sun Fat.

Payment schedule of the Settlement Sum is as follows:

HK\$'000

On or before	
31st December, 2016	60,000
31st December, 2017	120,000
31st December, 2018	<u>118,004</u>
	<u><u>298,004</u></u>

Up to 31st January, 2017, the Group received HK\$60.0 million from Kong Kei, which is recognised in profit or loss in the current interim period.

Further details of the above are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016 and 26th August, 2016.

5. FINANCE COSTS

	Six months ended	
	31.1.2017	31.1.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Amount due to a director	617	617
Bank borrowings	<u>–</u>	<u>6</u>
	<u>617</u>	<u>623</u>

6. INCOME TAX CREDIT

	Six months ended	
	31.1.2017	31.1.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax credit comprises:		
Deferred taxation	<u>546</u>	<u>572</u>

No provision for Hong Kong Profits Tax and Enterprise Income Tax in the People's Republic of China has been made for both periods as the Company and its subsidiaries either did not generate any assessable profits for the periods or have available tax losses brought forward to offset against any assessable profits generated during the periods.

7. PROFIT (LOSS) FOR THE PERIOD

Six months ended	
31.1.2017	31.1.2016
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit (loss) for the period has been arrived at after charging (crediting):

Depreciation included in:

– other hotel operating expenses	11,301	12,077
– administrative expenses	362	413
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	772	808
Bank and other interest income	<u>(30)</u>	<u>(43)</u>

8. PROFIT (LOSS) PER SHARE

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

Six months ended	
31.1.2017	31.1.2016
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit (loss) for the period attributable to owners of the Company
for the purposes of basic profit (loss) per share

<u>45,478</u>	<u>(40,780)</u>
---------------	-----------------

Number of shares	Number of shares
---------------------	---------------------

Weighted average number of ordinary shares for the purposes of
basic profit (loss) per share

<u>3,870,664,236</u>	<u>3,701,751,193</u>
----------------------	----------------------

No diluted profit (loss) per share is presented for both interim periods as there are no dilutive potential ordinary shares during both periods.

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers of hotel business. The following is an analysis of trade receivables, presented based on invoice date which approximate revenue recognition date.

	31.1.2017 HK\$'000	31.7.2016 <i>HK\$'000</i>
0 to 30 days	845	2,055
31 to 60 days	681	63
61 to 90 days	49	33
91 days or above	282	329
	<u>1,857</u>	<u>2,480</u>

Included in trade and other receivables as at 31st July, 2016 was an amount of HK\$10,416,000 (31st January, 2017: nil), representing receivables from securities brokers.

10. RESTRICTED BANK BALANCES

The balance comprises proceeds received from pre-sale of properties of the Group's property project in Mainland China which are deposited into designated bank accounts of the Group according to the relevant requirements of the Mainland China local government.

11. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables, presented based on invoice date.

	31.1.2017 HK\$'000	31.7.2016 <i>HK\$'000</i>
0 to 30 days	3,519	2,589
31 to 60 days	1,847	2,177
61 to 90 days	1,049	500
91 days or above	378	82
	<u>6,793</u>	<u>5,348</u>

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of approximately HK\$40.0 million for the six months ended 31st January, 2017, which comprised mainly income from hotel operations, as compared to HK\$50.9 million for the same period last year.

Net profit attributable to owners of the Company for the six months ended 31st January, 2017 was HK\$45.5 million, as compared to the net loss of HK\$40.8 million for the same period last year.

The turnaround from loss to profit in the six-month period ended 31st January, 2017 was mainly attributable to (i) HK\$60.0 million recognised in profit or loss, being the total amount of instalments received up to 31st January, 2017 from Kong Kei Construction Limited pursuant to the two deeds of settlement, details of which are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016 and 26th August, 2016; and (ii) no significant change in fair value of investments held for trading as compared with a loss of approximately HK\$15.0 million recognised in the same period in last financial year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2017, the Group had bank balances and cash (including restricted bank balances) of HK\$202.5 million mainly in Hong Kong dollars (31st July, 2016: bank balances and cash of HK\$74.1 million mainly in Hong Kong dollars and marketable securities totalling HK\$42.4 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st January, 2017 (31st July, 2016: Nil).

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 Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' funds was 58.7% at 31st January, 2017 (31st July, 2016: 55.3%).

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 six months ended 31st January, 2017, the principal activities of the Group are property investment and development, hotel operation, financial investment and related activities.

Property investment and development

Foshan, the PRC

The superstructure construction of the residential project alongside Hotel Fortuna, Foshan has been completed and pre-sales consent has been granted. Sales activities have commenced and the high-rise residential development with a total gross floor area of approximately 86,000 square meters is expected to contribute significant revenue to the Group in the foreseeable future.

Nam Van Lake, Macau

The Group continues to hold 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. Approval from the government for the development is pending.

Coloane, Macau

On 5th August, 2016, the Company, through a 99% owned subsidiary Sun Fat Investment and Industry Company Limited (“Sun Fat”), received a written notification dated 1st August, 2016 from the Land, Public Works and Transport Bureau of Macau (the “Notification”) informing that the validity period of the land grant in respect of the parcel of land of approximately 9,553 square meters located in Coloane held through Sun Fat for development (the “Macau Land”) has expired and the Macau Land shall be returned to the government of Macau without compensation. Sun Fat lodged a judicial appeal in September, 2016, and continues to seek legal advices as to the possible steps that can be taken.

On 26th August, 2016, the Group, through two wholly owned subsidiaries, entered into deeds of settlement with Kong Kei Construction Limited (“Kong Kei”), vendor of Sun Fat and a warrantor. Pursuant to the deeds of settlement, as the Group could not obtain approval from the relevant Macau government authorities in respect of the application of the land lease concession of the Macau Land and in light of the Notification, Kong Kei and the warrantor agreed to repay to the Group an aggregate sum of approximately HK\$298.0 million which was the actual amount paid by the Group to Kong Kei for the acquisition of 99% equity interest of Sun Fat.

Up to 31st January, 2017, the Group received HK\$60.0 million from Kong Kei, which is recognised in profit or loss in the current interim period.

Further details of the above are set out in the Company’s announcements dated 7th August, 2016, 8th August, 2016 and 26th August, 2016.

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, 2016, the hotel had a stable occupancy rate of approximately 53.0% and a turnover of approximately HK\$78.6 million in 2016 compared to HK\$102.3 million in 2015. 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\$216.4 million in 2016 compared to HK\$214.2 million in 2015.

PROSPECTS

During the period, the Group received repayments totalling HK\$60.0 million from Kong Kei, the vendor of Sun Fat, deposits in relation to the pre-sales of the Foshan residential project of approximately HK\$21.0 million and net proceeds from the placing of approximately HK\$13.8 million. These together have strengthened the financial position of the Group and broadened its capital base.

The Group's cash position is expected to be further enhanced in view of the forthcoming revenue from the sales of the Foshan residential project and further repayment from Kong Kei. The Group will use such extra funding to boost its existing operations and seize viable investment projects.

Facing the challenging economic environment and uncertainties, the Group remains overall confident of the general prosperity and business potential of the PRC, Macau and nearby regions. The management will continue to cautiously monitor its existing businesses, and capture viable business opportunities to maintain sustainable long term growth of the Group.

CONTINGENT LIABILITY

At 31st January, 2017, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

At 31st January, 2017, bank deposit of HK\$642,000 of the Group was pledged to a bank to secure credit facilities to the extent of HK\$600,000 granted to the Group, of which HK\$4,000 was utilized by the Group.

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.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2017.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2017 with all applicable provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules 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 as they are subject to 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 CODE 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 six months ended 31st January, 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 31st January, 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board
CAPITAL ESTATE LIMITED
Sio Tak Hong
Chairman

Hong Kong, 23rd March, 2017

As at the date hereof, Mr. Sio Tak Hong, Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael are the executive directors of the Company, and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai are the independent non-executive directors.