

INTERIM
REPORT
2016/2017



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Sio Tak Hong (*Chairman*)
Chu Nin Yiu, Stephen (*Chief Executive Officer*)
Chu Nin Wai, David (*Deputy Chairman*)
Lau Chi Kan, Michael

Independent Non-Executive Directors

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

COMPANY SECRETARY

Hung Yat Ming

AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen
Hung Yat Ming

AUDIT COMMITTEE

Li Sze Kuen, Billy (*Chairman*)
Wong Kwong Fat
Leung Kam Fai

REMUNERATION COMMITTEE

Leung Kam Fai (*Chairman*)
Li Sze Kuen, Billy
Wong Kwong Fat
Chu Nin Yiu, Stephen

NOMINATION COMMITTEE

Wong Kwong Fat (*Chairman*)
Li Sze Kuen, Billy
Leung Kam Fai
Chu Nin Yiu, Stephen

LEGAL ADVISER

Reed Smith Richards Butler

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

REGISTERED OFFICE

17th Floor
MassMutual Tower
33 Lockhart Road
Wan Chai, Hong Kong

STOCK CODE

193

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CAPITAL ESTATE LIMITED

冠中地產有限公司

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Capital Estate Limited (the "Company") and its subsidiaries set out on pages 4 to 18, which comprise the condensed consolidated statement of financial position as of 31st January, 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23rd March, 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2017

	NOTES	Six months ended	
		31.1.2017 HK\$'000 (unaudited)	31.1.2016 HK\$'000 (unaudited)
Revenue	3	40,021	50,911
Direct operating costs		(25,797)	(30,202)
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	(617)	(623)
Profit (loss) before taxation		41,584	(43,676)
Income tax credit	6	546	572
Profit (loss) for the period	7	42,130	(43,104)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(17,193)	(27,558)
Other comprehensive expense for the period		(17,193)	(27,558)
Total comprehensive income (expense) for the period		24,937	(70,662)
Profit (loss) for the period attributable to:			
Owners of the Company		45,478	(40,780)
Non-controlling interests		(3,348)	(2,324)
		42,130	(43,104)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		32,646	(61,360)
Non-controlling interests		(7,709)	(9,302)
		24,937	(70,662)
Profit (loss) per share	8		
Basic – HK cents		1.17	(1.10)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2017

	NOTES	31.1.2017 HK\$'000 (unaudited)	31.7.2016 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	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
		598,556	615,136
Current assets			
Properties for/under development	10	432,213	399,701
Inventories		2,864	2,256
Trade and other receivables	11	7,633	19,998
Amount due from an associate	19(b)	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	12	14,143	–
– Others		187,720	73,465
		653,026	543,937
Current liabilities			
Trade and other payables	13	30,512	28,312
Deposits from pre-sale of properties		21,038	–
Amounts due to related parties	19(c)	326,234	293,178
		377,784	321,490
Net current assets			
		275,242	222,447
Total assets less current liabilities			
		873,798	837,583
Non-current liabilities			
Amount due to a director	19(b)	50,000	50,000
Deferred tax liabilities		59,038	61,527
		109,038	111,527
Net assets			
		764,760	726,056
Capital and reserves			
Share capital	14	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			
		764,760	726,056

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2017

	Attributable to owners of the Company									
	Share capital	Capital reserve	Share option reserve	Capital reduction reserve	Translation reserve	Revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st August, 2015 (audited)	1,504,752	157	23,542	170,583	31,821	60,710	(848,148)	943,417	(42,321)	901,096
Loss for the period	-	-	-	-	-	-	(40,780)	(40,780)	(2,324)	(43,104)
Exchange differences arising on translation of foreign operations	-	-	-	-	(20,580)	-	-	(20,580)	(6,978)	(27,558)
Total comprehensive expense for the period	-	-	-	-	(20,580)	-	(40,780)	(61,360)	(9,302)	(70,662)
Balance at 31st January, 2016 (unaudited)	1,504,752	157	23,542	170,583	11,241	60,710	(888,928)	882,057	(51,623)	830,434
Balance at 1st August, 2016 (audited)	1,504,752	157	23,542	170,583	5,300	60,710	(981,712)	783,332	(57,276)	726,056
Profit (loss) for the period	-	-	-	-	-	-	45,478	45,478	(3,348)	42,130
Exchange differences arising on translation of foreign operations	-	-	-	-	(12,832)	-	-	(12,832)	(4,361)	(17,193)
Total comprehensive (expense) income for the period	-	-	-	-	(12,832)	-	45,478	32,646	(7,709)	24,937
Issue of new shares (note 14)	14,245	-	-	-	-	-	-	14,245	-	14,245
Transaction costs attributable to issue of new shares	(478)	-	-	-	-	-	-	(478)	-	(478)
Balance at 31st January, 2017 (unaudited)	1,518,519	157	23,542	170,583	(7,532)	60,710	(936,234)	829,745	(64,985)	764,760

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2017

	Six months ended	
	31.1.2017 HK\$'000 (unaudited)	31.1.2016 HK\$'000 (unaudited)
Net cash from (used in) operating activities	68,339	(119,913)
Net cash used in investing activities		
Proceeds from disposal of property, plant and equipment	313	450
Interest received	104	43
Advance to an associate	(2,529)	(1,773)
Purchase of property, plant and equipment	(2,347)	(164)
	(4,459)	(1,444)
Net cash from financing activities		
Advance from related parties	37,062	1,163
Proceeds from issue of new shares	14,245	–
Transaction costs attributable to issue of new shares	(478)	–
Interest paid	–	(6)
	50,829	1,157
Net increase (decrease) in cash and cash equivalents	114,709	(120,200)
Cash and cash equivalents at beginning of the period	73,465	201,662
Effect of foreign exchange rate changes	(454)	(2,686)
Cash and cash equivalents at end of the period, represented by bank balances and cash	187,720	78,776

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	40,021	42,493	–	82,514
Segment revenue	40,021	–	–	40,021
Segment (loss) profit	(13,055)	1,325	59,982	48,252
Unallocated income				5
Unallocated expenses				(9,916)
Share of results of an associate				3,860
Finance costs				(617)
Profit before taxation				41,584

Six months ended 31st January, 2016

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

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.

3. SEGMENT INFORMATION *(Continued)*

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 HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
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	36	-	-	260	296

For the six months ended 31st January, 2016

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
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	-	-	-	189	189

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2017 HK\$'000	31.1.2016 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 (note)	60,000	–
	61,405	(14,962)

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.

4. OTHER GAINS AND LOSSES (Continued)

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	118,004
	<u>298,004</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 HK\$'000	31.1.2016 HK\$'000
Interest on:		
Amount due to a director	617	617
Bank borrowings	-	6
	<u>617</u>	<u>623</u>

6. INCOME TAX CREDIT

	Six months ended	
	31.1.2017 HK\$'000	31.1.2016 HK\$'000
Tax credit comprises:		
Deferred taxation	546	572

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 HK\$'000	31.1.2016 HK\$'000
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	(30)	(43)

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 HK\$'000	31.1.2016 HK\$'000
Profit (loss) for the period attributable to owners of the Company for the purposes of basic profit (loss) per share	45,478	(40,780)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic profit (loss) per share	3,870,664,236	3,701,751,193

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

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for a cash consideration of HK\$2,347,000 (six months ended 31st January, 2016: HK\$164,000).

10. PROPERTIES FOR/UNDER DEVELOPMENT

The Group's properties under development are located on land in:

	31.1.2017 HK\$'000	31.7.2016 HK\$'000
Mainland China	432,213	399,701

Cost comprises the costs of land use rights, other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development and property development costs. No finance cost on development has been capitalised. Properties for/under development are stated at the lower of cost and net realisable value.

In October 2013, the Group obtained approvals from the relevant authorities in Mainland China for the construction of new residential buildings for sale and the construction activities started. During the six months ended 31st January, 2017, additions of properties under development in Mainland China amounted to HK\$45,136,000 (six months ended 31st January, 2016: HK\$70,193,000).

As set out in note 4, the Group's properties for development in Macau was derecognised during the year ended 31st July, 2016.

11. 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 HK\$'000
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
	1,857	2,480

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.

12. 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.

13. 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 HK\$'000
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
	6,793	5,348

14. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1st August, 2015 and 31st July, 2016	3,701,751,193	1,504,752
Issue of new shares, net of transaction costs	185,000,000	13,767
At 31st January, 2017	3,886,751,193	1,518,519

On 17th August, 2016, the Company allotted and issued 185,000,000 new shares under a placing arrangement at a placing price of HK\$0.077 per placing shares pursuant to the placing agreement dated 4th August, 2016 entered into with an independent placing agent not connected with the Company. The new placing shares were allotted and issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 4th December, 2015. The new placing shares were placed through the placing agent to not less than six independent placees not connected with the Company. The Company raised HK\$13,767,000 (net of expenses) with the intention at the time of placing to use as general working capital of the Group. Further details of the placing are set out in the Company's announcements dated 4th August, 2016 and 17th August, 2016.

New shares issued during the current interim period rank pari passu with the existing shares in all respects.

15. SHARE-BASED PAYMENT TRANSACTIONS

The Company had a share option scheme adopted on 7th December, 2012 which will expire on 6th December, 2022.

No share option was granted or remained outstanding under the scheme during both periods.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- * Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- * Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- * Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31.1.2017 HK\$'000	31.7.2016 HK\$'000		
Listed equity securities	–	39,972	Level 1	Quoted bid prices in active market
Listed debt securities	–	2,449	Level 1	Quoted bid prices in active market
	–	42,421		

There were no transfers between Levels 1, 2 and 3 in both periods.

17. PLEDGE OF ASSETS

At 31st January, 2017, bank deposit of HK\$642,000 (31st July, 2016: HK\$642,000) of the Group was pledged to banks to secure short-term credit facilities to the extent of HK\$600,000 (31st July, 2016: HK\$600,000) granted to the Group, HK\$4,000 (31st July, 2016: HK\$56,000) of which was utilised by the Group.

18. COMMITMENTS

	31.1.2017 HK\$'000	31.7.2016 HK\$'000
Contracted for but not provided in the condensed consolidated financial statements in respect of – properties under development	100,236	121,685

19. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel:

The remuneration of directors, who are the key management personnel of the Group, during the period was as follows:

	Six months ended	
	31.1.2017 HK\$'000	31.1.2016 HK\$'000
Short-term benefits	2,568	3,718
Post-employment benefits	–	9
	2,568	3,727

The remuneration of directors and key executives is determined by the board of directors after considering recommendation from the Remuneration Committee, having regard to the performance of individuals and market trends.

19. RELATED PARTY DISCLOSURES (Continued)

(b) Amount due to a director

The balance at the end of the reporting period is unsecured, interest-bearing at Hong Kong Dollars Prime Rate minus 2.8% per annum and repayable by 9th February, 2018. In the opinion of the directors, no portion of the outstanding balance will be repaid within twelve months from the end of the reporting period. Accordingly, the amount is shown under non-current liabilities.

During the six months ended 31st January, 2017, interest on amount due to a director recognised in profit or loss amounted to HK\$617,000 (six months ended 31st January, 2016: HK\$617,000).

At 31st January, 2017, interest payable to a director amounted to HK\$2,423,000 (31st July, 2016: HK\$1,806,000) which is included in "trade and other payables".

(c) Other related party transactions and balances

The amount due from an associate is unsecured, non-interest bearing, non-trade in nature and repayable on demand. It is expected to be recovered within one year from the end of the reporting period. The associate is controlled by Mr. Sio Tak Hong, who is a director and a substantial shareholder of the Company with significant influence over the Company.

The amounts due to related parties are unsecured, non-interest bearing, non-trade in nature and repayable on demand. They comprise amounts due to the following parties:

	31.1.2017 HK\$'000	31.7.2016 HK\$'000
Non-controlling shareholders of certain subsidiaries of the Company	166,351	166,350
Directors of certain subsidiaries of the Company	146,135	126,828
A director of the Company	11,320	–
An entity in which a director of the Company has beneficial interests	2,428	–
	326,234	293,178

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.

OTHER INFORMATION

SHARE OPTIONS

Pursuant to a resolution passed on 7th December 2012, the existing share option scheme was adopted (the "Scheme").

No share options was outstanding at the beginning of the period or granted during the period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st January, 2017, the interests of the directors and chief executive and their associates in the shares, and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

LONG POSITIONS

(I) The Company

Ordinary shares of the Company

Name of Director	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Sio Tak Hong ("Mr. Sio")	-	36,736,500	1,291,612,500 (Note 1)	1,328,349,000	34.2%
Chu Nin Yiu, Stephen ("Mr. Chu")	35,550,000	-	500,171,100 (Note 2)	535,721,100	13.8%
Lau Chi Kan, Michael	2,907,500	-	-	2,907,500	0.1%

Notes:

1. Mr. Sio was deemed to be interested in the 1,291,612,500 shares in the Company held through Fullkeen Holdings Limited ("Fullkeen"), which is in turn 70% owned by Mr. Sio.
2. Mr. Chu was deemed to be interested in the 500,171,100 shares in the Company held through Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu.

(II) Associated corporation

Name of Director	Associated Corporation	Number of shares held			Total	Percentage of the issued share capital of the associated corporation
		Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporated interest (interest of controlled corporation)		
Mr. Sio	Tin Fok Holding Company Limited	-	-	1,270 (Note 1)	1,270	63.5%
Mr. Chu	Tin Fok Holding Company Limited	-	-	170 (Note 2)	170	8.5%

Notes:

1. Mr. Sio was deemed to be interested in the 1,270 shares in the associated corporation in which 1,100 shares were held through Global Master Management Limited, which is in turn 70% owned by Mr. Sio, and 170 shares were held through Macro Rich Limited, which is turn 41.2% owned by Global Master Management Limited.
2. Mr. Chu was deemed to be interested in the 170 shares in the associated corporation held through Macro Rich Limited, which is in turn 58.8% owned by Mr. Chu.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares and underlying shares of the Company or any of its associated corporations as at 31st January, 2017.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section "Share Options", at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31st January, 2017, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company:

LONG POSITIONS

Ordinary shares of the Company

Name of shareholder	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporate interest (interest of controlled corporation)		
Fullkeen	1,291,612,500	–	–	1,291,612,500	33.2%
Mr. Sio	–	36,736,500	1,291,612,500 (Note 1)	1,328,349,000	34.2%
Supervalve	500,171,100	–	–	500,171,100	12.9%
Mr. Chu	35,550,000	–	500,171,100 (Note 2)	535,721,100	13.8%

Notes:

1. Mr. Sio was deemed to be interested in the 1,291,612,500 shares in the Company held through Fullkeen, which is in turn 70% owned by Mr. Sio.
2. Mr. Chu was deemed to be interested in the 500,171,100 shares in the Company held through Supervalve, which is in turn wholly owned by Mr. Chu.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st January, 2017.

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.