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, 2017

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, 2017, 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, 2017

	NOTES	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*4*	**82,444**	88,496
Direct operating costs		**(50,233)**	(53,690)
Gross profit		**32,211**	34,806
Other gains and losses	*5*	**84,955**	(13,867)
Other income		**2,549**	4,007
Marketing expenses		**(4,580)**	(1,826)
Administrative expenses		**(48,899)**	(52,751)
Other hotel operating expenses		**(23,985)**	(25,326)
Loss on derecognition of properties for development		**–**	(60,000)
Share of profit (loss) of an associate		**12,876**	(24,446)
Finance costs	*6*	**(1,225)**	(1,253)
Profit (loss) before taxation		**53,902**	(140,656)
Income tax credit	*7*	**1,050**	1,128
Profit (loss) for the year	*8*	**54,952**	(139,528)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(4,481)**	(35,512)
Other comprehensive expense for the year		**(4,481)**	(35,512)
Total comprehensive income (expense) for the year		**50,471**	(175,040)

	NOTE	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**60,252**	(133,564)
Non-controlling interests		**(5,300)**	(5,964)
		54,952	(139,528)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**56,907**	(160,085)
Non-controlling interests		**(6,436)**	(14,955)
		50,471	(175,040)
Earnings (loss) per share	*9*		
Basic – HK cents		**1.55**	(3.61)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st July, 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**274,557**	297,784
Prepaid lease payments		**2,237**	2,344
Premium on prepaid lease payments		**34,273**	35,967
Interest in an associate		**228,179**	215,303
Available-for-sale investments		**63,738**	63,738
		602,984	615,136
Current assets			
Properties under development		**480,524**	399,701
Inventories		**2,038**	2,256
Trade and other receivables	*10*	**8,670**	19,998
Amount due from an associate		**4,854**	5,353
Prepaid lease payments		**94**	101
Prepaid income tax		**5,171**	–
Investments held for trading		**64,235**	42,421
Pledged bank deposit		**642**	642
Bank balances and cash			
– Restricted		**160,931**	–
– Others		**142,914**	73,465
		870,073	543,937
Current liabilities			
Trade and other payables	*11*	**37,955**	28,312
Deposits from pre-sale of properties		**252,817**	–
Amounts due to related parties		**282,020**	293,178
Amount due to a director		**50,000**	–
		622,792	321,490
Net current assets		**247,281**	222,447
Total assets less current liabilities		**850,265**	837,583
Non-current liabilities			
Amount due to a director		**–**	50,000
Deferred tax liabilities		**59,971**	61,527
		59,971	111,527
Net assets		**790,294**	726,056

	2017	2016
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**1,518,519**	1,504,752
Reserves	**(664,513)**	(721,420)
Equity attributable to owners of the Company	**854,006**	783,332
Non-controlling interests	**(63,712)**	(57,276)
Total equity	**790,294**	726,056

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., MassMutual Tower, 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKAS 40	Transfer of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]
HK(IFRIC) – INT 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – INT 23	Uncertainty over income tax treatments[2]

[1] *Effective for annual periods beginning on or after 1st January, 2018*
[2] *Effective for annual periods beginning on or after 1st January, 2019*
[3] *Effective for annual periods beginning on or after a date to be determined*
[4] *Effective for annual periods beginning on or after 1st January, 2017*
[5] *Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate*

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- 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.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from contracts with customers"

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases 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, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st July, 2017, the Group has non-cancellable operating lease commitments of HK$5,711,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1st January, 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not anticipate that the application of the other new and amended standards will have a material impact on the results and the financial position of the Group.

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 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

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, 2017 and 2016 included in this preliminary announcement of annual results 2017 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 required to be 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, 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 and will deliver the financial statements for the year ended 31st July, 2017 in due course.

The Company's auditor has reported on the financial statements of 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, 2017

	Hotel operations *HK$'000*	**Financial investment** *HK$'000*	**Property** *HK$'000*	**Consolidated** *HK$'000*
GROSS PROCEEDS	**82,444**	**42,493**	**–**	**124,937**
SEGMENT REVENUE	**82,444**	**–**	**–**	**82,444**
SEGMENT (LOSS) PROFIT	**(20,535)**	**(5,314)**	**89,982**	**64,133**
Unallocated income				**6**
Unallocated expenses				**(21,888)**
Share of profit of an associate				**12,876**
Finance costs				**(1,225)**
Profit before taxation				**53,902**

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)

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of central administration costs, directors' salaries, share of profit/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. OTHER GAINS AND LOSSES

	2017 ***HK$'000***	2016 *HK$'000*
Decrease in fair value of investments held for trading	**(6,378)**	(13,888)
Dividend income from investments held for trading	**1,333**	21
Settlement consideration (note)	**90,000**	–
	84,955	(13,867)

Note:

The Group had a property development project in Macau (the "Macau properties") which has been recorded as property for development. 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 amendment 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	118,004
	298,004

Up to 31st July, 2017, the Group received HK$90.0 million from Kong Kei, which is recognised in profit or loss in the current year.

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

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Amount due to a director	**1,225**	1,229
Bank and other borrowings	**–**	24
	1,225	1,253

7. INCOME TAX CREDIT

	2017	2016
	HK$'000	*HK$'000*
Tax credit comprises:		
Deferred taxation	**(1,050)**	(1,128)

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.

8. PROFIT (LOSS) FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Directors' emoluments	**6,348**	7,804
Other staff costs		
– Salaries and other benefits	**32,955**	36,038
– Retirement benefit scheme contributions	**2,656**	2,297
Total employee benefit expenses	**41,959**	46,139
Auditor's remuneration	**2,020**	1,900
Cost of inventories recognised as an expense	**21,044**	21,390
Depreciation included in:		
– other hotel operating expenses	**22,493**	23,732
– administrative expenses	**708**	825
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	**1,492**	1,594
Net foreign exchange loss (gain)	**73**	(713)
Bank and other interest income	**(207)**	(794)
Gain on disposal of property, plant and equipment	**(287)**	(186)

9. EARNINGS (LOSS) PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company for the purposes of basic earnings (loss) per share	**60,252**	(133,564)

	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share	**3,878,641,604**	3,701,751,193

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

10. 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:

	2017	2016
	HK$'000	*HK$'000*
Trade receivables:		
0 to 30 days	**3,337**	2,055
31 to 60 days	**114**	63
61 to 90 days	**6**	33
91 days or above	**135**	329
	3,592	2,480
Prepayments and deposits	**2,194**	2,379
Receivables from securities brokers	**–**	10,416
Other receivables	**2,884**	4,723
	8,670	19,998

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.

11. 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:

	2017	2016
	HK$'000	*HK$'000*
Trade payables:		
0 to 30 days	**2,397**	2,589
31 to 60 days	**1,246**	2,177
61 to 90 days	**926**	500
91 days or above	**330**	82
	4,899	5,348
Accruals	**4,170**	3,707
Interest payable to a director	**3,031**	1,806
Other payables	**25,855**	17,451
	37,955	28,312

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$124.9 million for the year ended 31st July, 2017 (2016: HK$217.2 million), which comprised gross proceeds from hotel operations of HK$82.4 million (2016: HK$88.5 million) and income from sales of securities and other business segments totaling HK$42.5 million (2016: HK$128.7 million).

Profit for the year attributable to owners of the Company for the year ended 31st July, 2017 was HK$60.3 million, as compared to loss of HK$133.6 million for last year.

The turnaround from loss to profit in the year ended 31st July, 2017 was mainly attributable to (i) a gain of HK$90.0 million recognised in profit or loss, being the total amount of instalments received during the year up to 31st July, 2017 from Kong Kei Construction Limited ("Kong Kei") pursuant to the two deeds of settlement relating to a property for development in Macau, details of which are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016 and 26th August, 2016, as compared with the loss on derecognition of that property amounting to HK$60.0 million last year; and (ii) share of profit of associate amounting to HK$12.9 million (2016: share of loss of HK$24.4 million) resulting from improvement in operation and increase in fair value of investment properties.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st July, 2017, the Group had bank balances and cash (including restricted bank balances) of HK$304.5 million (2016: HK$74.1 million) mainly in Renminbi and Hong Kong dollars and marketable securities totalling HK$64.2 million (2016: HK$42.4 million).

No bank and other borrowings (other than corporate credit card payable classified as "other payable") were outstanding at 31st July, 2017 (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 79.9% at 31st July, 2017 (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 year ended 31st July, 2017, the principal activities of the Group are property development, hotel operation, financial investment and related activities.

Property investment and development

Foshan, the People's Republic of China ("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 deposits from pre-sales amounting to approximately HK$252.8 million have been received up to 31st July, 2017. The highrise 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") had expired and the Macau Land should 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, 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 amendment 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 July, 2017, the Group received HK$90.0 million from Kong Kei, which is recognised in profit or loss in the year under review.

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.

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, 2017, the Group had approximately 410 employees of which approximately 390 employees were stationed in Mainland China. Total staff remuneration incurred for the year ended 31st July, 2017 amounted to approximately HK$42.0 million (2016: HK$46.1 million).

PROSPECTS

During the year, the Group received repayments totalling HK$90.0 million from Kong Kei, the vendor of Sun Fat, deposits from the pre-sales of the Foshan residential project of approximately HK$252.8 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.

PLEDGE OF ASSETS

Bank deposit of HK$642,000 (2016: HK$642,000) was pledged to banks to secure credit facilities to the extent of HK$600,000 (2016: HK$600,000) granted to the Group, of which HK$7,000 (2016: HK$56,000) 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, 2017, 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, 2017 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, 2017.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be held on Tuesday, 12th December, 2017. The Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

BOOK CLOSURE

The register of members will be closed from Tuesday, 5th December, 2017 to Tuesday, 12th December, 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Tuesday, 12th December, 2017, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 4th December, 2017.

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

Hong Kong, 24th October, 2017

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.