



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)
Stock Code: 193

Interim Report 2018/2019



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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 25, which comprise the condensed consolidated statement of financial position as of 31st January, 2019 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 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

28th March, 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2019

	NOTES	Six months ended	
		31.1.2019 HK\$'000 (unaudited)	31.1.2018 HK\$'000 (unaudited)
Revenue	3	301,000	45,175
Cost of sales		(179,237)	–
Direct operating costs		(24,357)	(26,513)
Gross profit		97,406	18,662
Other gains and losses	4	69,185	90,139
Other income		3,517	1,562
Marketing expenses		(1,905)	(1,127)
Administrative expenses		(34,379)	(25,527)
Other hotel operating expenses		(6,448)	(10,573)
Share of loss of an associate		(1,764)	(5,959)
Finance costs	5	–	(131)
Profit before taxation		125,612	67,046
Income tax (expense) credit	6	(36,695)	561
Profit for the period	7	88,917	67,607
Other comprehensive (expense) income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(13,640)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		11,585	36,208
Other comprehensive (expense) income for the period		(2,055)	36,208
Total comprehensive income for the period		86,862	103,815
Profit (loss) for the period attributable to:			
Owners of the Company		81,163	68,944
Non-controlling interests		7,754	(1,337)
		88,917	67,607
Total comprehensive income for the period attributable to:			
Owners of the Company		76,167	95,944
Non-controlling interests		10,695	7,871
		86,862	103,815
			(restated)
Earnings per share	8		
Basic – HK cents		41.76	35.48

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2019

		Six months ended	
NOTES		31.1.2019 HK\$'000 (unaudited)	31.7.2018 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	257,484	258,576
Prepaid lease payments		2,113	2,121
Premium on prepaid lease payments		32,447	32,547
Interest in an associate		213,289	215,053
Available-for-sale investments		–	13,640
Financial assets at fair value through other comprehensive income		–	–
		505,333	521,937
Current assets			
Properties held for sale		245,816	411,464
Inventories		2,645	2,064
Trade and other receivables	10	7,198	6,469
Amount due from an associate	17(b)	4,179	9,006
Prepaid lease payments		95	93
Prepaid income tax		14,466	8,700
Financial assets at fair value through profit or loss/investments held for trading	11	226,775	46,740
Pledged bank deposit		642	642
Bank balances and cash		293,393	280,127
		795,209	765,305
Current liabilities			
Trade and other payables	12	44,334	52,800
Deposits from pre-sale of properties		–	185,578
Contract liabilities		55,578	–
Amounts due to related parties	17(b)	163,644	137,384
Tax payable		71,945	23,535
		335,501	399,297
Net current assets		459,708	366,008
Total assets less current liabilities		965,041	887,945
Non-current liabilities			
Deferred tax liabilities		39,136	48,902
Net assets		925,905	839,043
Capital and reserves			
Share capital	13	1,518,519	1,518,519
Reserves		(551,342)	(627,509)
Equity attributable to owners of the Company		967,177	891,010
Non-controlling interests		(41,272)	(51,967)
Total equity		925,905	839,043

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2019

	Attributable to owners of the Company										
	Share capital	Capital reserve	Share option reserve	Capital reduction reserve	Translation reserve	Revaluation reserve	FVTOCI 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	HK\$'000
Balance at 1st August, 2017 (audited)	1,518,519	157	23,542	170,583	1,955	60,710	-	(921,460)	854,006	(63,712)	790,294
Profit (loss) for the period	-	-	-	-	-	-	-	68,944	68,944	(1,337)	67,607
Other comprehensive income for the period	-	-	-	-	27,000	-	-	-	27,000	9,208	36,208
Total comprehensive income for the period	-	-	-	-	27,000	-	-	68,944	95,944	7,871	103,815
Balance at 31st January, 2018 (unaudited)	1,518,519	157	23,542	170,583	28,955	60,710	-	(852,516)	949,950	(55,841)	894,109
Balance at 31st July, 2018 (audited)	1,518,519	157	23,542	170,583	1,771	60,710	-	(884,272)	891,010	(51,967)	839,043
Adjustments (see note 2)	-	-	-	-	-	(9,200)	(60,138)	69,338	-	-	-
Balance at 1st August, 2018 (restated)	1,518,519	157	23,542	170,583	1,771	51,510	(60,138)	(814,934)	891,010	(51,967)	839,043
Profit for the period	-	-	-	-	-	-	-	81,163	81,163	7,754	88,917
Other comprehensive income (expense) for the period	-	-	-	-	8,644	-	(13,640)	-	(4,996)	2,941	(2,055)
Total comprehensive income (expense) for the period	-	-	-	-	8,644	-	(13,640)	81,163	76,167	10,695	86,862
Balance at 31st January, 2019 (unaudited)	1,518,519	157	23,542	170,583	10,415	51,510	(73,778)	(733,771)	967,177	(41,272)	925,905

Note: "FVTOCI" represents fair value through other comprehensive income.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2019

	Six months ended	
	31.1.2019 HK\$'000 (unaudited)	31.1.2018 HK\$'000 (unaudited)
Net cash (used in) from operating activities		
Profit before taxation	125,612	67,046
(Increase) decrease in financial assets at fair value through profit or loss/investments held for trading	(190,850)	922
Decrease (increase) in properties held for sale	173,296	(44,557)
Increase in deposits from pre-sale of properties	–	80,920
Decrease in contract liabilities	(134,783)	–
Other items	5,930	(16,045)
	(20,795)	88,286
Net cash from (used in) investing activities		
Proceeds from disposal of property, plant and equipment	180	560
Interest received	2,266	324
Purchase of property, plant and equipment	(106)	(47)
Repayment from (advance to) an associate	4,998	(1,875)
	7,338	(1,038)
Net cash from (used in) financing activities		
Advance from related parties	26,239	1,778
Repayment to a director	–	(50,000)
Interest paid	–	(3,162)
	26,239	(51,384)
Net increase in cash and cash equivalents	12,782	35,864
Cash and cash equivalents at beginning of the period	280,127	142,914
Effect of foreign exchange rate changes	484	1,303
Cash and cash equivalents at end of the period, represented by bank balances and cash	293,393	180,081

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Capital Estate Limited (the "Company") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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, 2018 that is included in the condensed consolidated financial statements for the six months ended 31st January, 2019 as comparative information does not constitute the statutory annual consolidated financial statements of the Company 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, 2018 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.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st January, 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st July, 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and interpretation issued by HKICPA which are mandatorily effective for the annual period beginning on or after 1st August, 2018 for the preparation for the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies on application of HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”)

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue mainly from the hotel operations and sale of properties held for sale.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st August, 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1st August, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies on application of HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group recognises revenue from room rentals of hotel operations over time by reference to the progress towards complete satisfaction of the relevant performance obligation. For food and beverage sales and rendering of ancillary services of the hotel operations, revenue is recognised when the goods or services are delivered or rendered to customers. Revenue from sale of properties held for sale is recognised when the properties are handed over to the customers.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services rendered to the customer to date relative to the remaining services promised under the contract, that best depict the Group’s performance in transferring control of services.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 “Financial Instruments” (“HKFRS 9”). In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customers for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

2.1.2 Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 do not have a material impact on the timing and amounts of revenue recognised in the respective reporting period. The following table summarises the impact of transition to HKFRS 15 on the Group's condensed consolidated statement of financial position. Line items were not affected by the changes have not been included at 1st August, 2018.

Impact on liabilities as at 1st August, 2018

		Carrying amount previously reported at 31st July, 2018	Impacts of adopting HKFRS 15	Carrying amount under HKFRS 15 at 1st August, 2018
	Notes	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	a	52,800	(1,308)	51,492
Deposits from pre-sale of properties	b	185,578	(185,578)	–
Contract liabilities	a, b	–	186,886	186,886

Notes:

- As at 1st August, 2018, advances from customers of HK\$1,308,000 in respect of room and food and beverage service contracts previously included in trade and other payables were reclassified to contract liabilities for HK\$1,308,000.
- As at 1st August, 2018, advances from customers of HK\$185,578,000 in respect of properties sales contracts previously included in deposits from pre-sale of properties were reclassified to contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group’s condensed consolidated statement of financial position as at 31st January, 2019 and for each of the line items affected. Line items that were not affected by the changes have not been included.

Impacts on liabilities as at 31st January, 2019

	As reported	Reclassification	Amounts without application of HKFRS 15
	HK\$’000	HK\$’000	HK\$’000
Trade and other payables	44,334	1,594	45,928
Deposits from pre-sale of properties	–	53,984	53,984
Contract liabilities	55,578	(55,578)	–

2.2 Impacts and changes in accounting policies on application of HKFRS 9 and the related amendments

In the current interim period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st August, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st August, 2018. The difference between the carrying amounts as at 31st July, 2018 and the carrying amounts as at 1st August, 2018 are recognised in the opening accumulated losses, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of HKFRS 9 and the related amendments (Continued)

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the 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.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the 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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is not held for trading.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and losses" line item in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of HKFRS 9 and the related amendments (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments (including financial guarantee contracts, other receivables, amount due from an associate, pledged bank deposit and bank balances), the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of HKFRS 9 and the related amendments (Continued)

Impairment under ECL model (Continued)

(i) *Significant increase in credit risk (Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk of financial assets has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

(ii) *Definition of default*

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(iv) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of HKFRS 9 and the related amendments (Continued)

Impairment under ECL model (Continued)

(iv) Measurement and recognition of ECL (Continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the amount of expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1st August, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.1.

2.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1st August, 2018.

Notes	Available-for-sale ("AFS") investments HK\$'000	Financial assets at FVTOCI HK\$'000	Amortised cost (previously classified as loans and receivables) HK\$'000	Revaluation reserve HK\$'000	FVTOCI reserve HK\$'000	Accumulated losses HK\$'000
Closing balance at 31st July, 2018 (audited) – HKAS 39	13,640	–	293,656	60,710	–	(684,272)
Effect arising from initial application of HKFRS 9: Reclassification from AFS investments	a (13,640)	13,640	–	(9,200)	(60,138)	69,338
Opening balance at 1st August, 2018 (restated)	–	13,640	293,656	51,510	(60,138)	(614,934)

(a) AFS investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as AFS investments, of which HK\$13,640,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$13,640,000 were reclassified from AFS investments to equity instruments at FVTOCI. In addition, impairment losses previously recognised of HK\$60,138,000 were transferred from accumulated losses to FVTOCI reserve and revaluation gain previously recognised upon the step acquisition of an associate of the Group of HK\$9,200,000 were transferred from revaluation reserve to accumulated losses as at 1st August, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies on application of HKFRS 9 and the related amendments (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL (Continued)

2.2.1 Summary of effects arising from initial application of HKFRS 9 (Continued)

(b) Impairment under ECL model

The Group has applied the HKFRS 9 simplified approach to measure ECL using lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

Loss allowances for other financial assets at amortised cost, mainly comprising financial guarantee contracts, other receivables, amount due from an associate, pledged bank deposit and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1st August, 2018, no additional credit loss allowance has been recognised against accumulated losses as the directors of the Company consider that the amount is immaterial.

Except as disclosed above, the application of other amendments to HKFRSs and interpretation in the current interim period has had no material impact on the Group's condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Six months ended	
	31.1.2019 HK\$'000	31.1.2018 HK\$'000
Type of goods or services		
Revenue from hotel operations		
– Room rentals	16,693	19,182
– Food and beverage sales	24,955	25,773
– Rendering of ancillary services	161	220
Revenue from sale of properties held for sale	259,191	–
	301,000	45,175
Geographical market		
Mainland China	301,000	45,175
Timing of revenue recognition		
A point in time	284,307	25,993
Over time	16,693	19,182
	301,000	45,175

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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, 2019

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Total HK\$'000
Gross proceeds	41,809	24,622	259,191	325,622
Segment revenue	41,809	–	259,191	301,000
Segment (loss) profit	(9,541)	(10,029)	157,531	137,961
Unallocated income				847
Unallocated expenses				(11,432)
Share of results of an associate				(1,764)
Profit before taxation				125,612

Six months ended 31st January, 2018

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Total HK\$'000
Gross proceeds	45,175	7,230	–	52,405
Segment revenue	45,175	–	–	45,175
Segment (loss) profit	(5,624)	130	89,979	84,485
Unallocated expenses				(11,349)
Share of results of an associate				(5,959)
Finance costs				(131)
Profit before taxation				67,046

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. REVENUE AND 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, 2019

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
Depreciation	(5,696)	-	-	(146)	(5,842)
Interest income	73	1,351	-	842	2,266
Gain on disposal of property, plant and equipment	-	-	-	180	180

For the six months ended 31st January, 2018

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
Depreciation	(9,775)	-	-	(185)	(9,960)
Interest income	324	-	-	-	324
Loss on disposal of property, plant and equipment	(63)	-	-	(65)	(128)

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2019 HK\$'000	31.1.2018 HK\$'000
(Decrease) increase in fair value of financial assets at FVTPL/investments held for trading	(10,815)	139
Settlement consideration (Note)	80,000	90,000
	69,185	90,139

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.

4. OTHER GAINS AND LOSSES (Continued)

Note: (Continued)

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 from the Land, Public Works and Transport Bureau of Macau (the "Notification") informing that, among others, the parcel of land regarding the Macau Properties (the "Macau Land") shall be returned to the government of Macau upon expiry of the validity period of the land grant with no responsibility or burden and Sun Fat shall not be entitled to any compensation. 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. 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
	<u>298,004</u>

Up to 31st January, 2019, the Group received HK\$260,000,000 from Kong Kei, which is recognised in profit or loss in the following accounting periods:

	HK\$'000
Year ended 31st July, 2017	90,000
Six months ended 31st January, 2018 and year ended 31st July, 2018	90,000
Six months ended 31st January, 2019	80,000
	<u>260,000</u>

Out of the HK\$118,004,000 scheduled to be settled by 31st December, 2018, HK\$80,000,000 was received by the Group up to 31st January, 2019. Kong Kei and the Warrantor have agreed to repay the remaining amount of HK\$38,004,000 on or before 31st July, 2019.

Further details of the above are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016, 26th August, 2016, 29th January, 2019 and 18th March, 2019.

5. FINANCE COSTS

	Six months ended	
	31.1.2019 HK\$'000	31.1.2018 HK\$'000
Interest on amount due to a director	–	131

6. INCOME TAX (EXPENSE) CREDIT

	Six months ended	
	31.1.2019 HK\$'000	31.1.2018 HK\$'000
Tax (expense) credit comprises:		
Current tax		
People's Republic of China ("PRC") enterprise income tax	(20,620)	–
PRC land appreciation tax	(26,750)	–
	(47,370)	–
Deferred taxation	10,675	561
	(36,695)	561

No provision for Hong Kong Profits Tax has been made for both periods as the Company and its subsidiaries did not generate any assessable profits for the periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in the PRC is 25%.

The provision for PRC land appreciation tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

Taxation arising in another jurisdiction is calculated at the rates prevailing in that jurisdiction.

7. PROFIT FOR THE PERIOD

	Six months ended	
	31.1.2019 HK\$'000	31.1.2018 HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– other hotel operating expenses	5,696	9,775
– administrative expenses	146	185
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	752	798
Bank and other interest income	(2,266)	(324)

8. EARNINGS PER SHARE

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

	Six months ended	
	31.1.2019 HK\$'000	31.1.2018 HK\$'000
Profit for the period attributable to owners of the Company for the purposes of basic profit per share	81,163	68,944
	Number of shares	Number of shares (restated)
Number of ordinary shares for the purposes of basic earnings per share	194,337,559	194,337,559

The number of ordinary shares for the purpose of basic earnings per share for both current and prior periods has been adjusted for the share consolidation as set out in note 13.

No diluted earnings 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\$106,000 (six months ended 31st January, 2018: HK\$47,000).

10. TRADE AND OTHER RECEIVABLES

The hotel revenue is normally settled by cash or credit card. 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.

	31.1.2019 HK\$'000	31.7.2018 HK\$'000
0 to 30 days	2,010	1,676
31 to 60 days	10	35
61 to 90 days	61	88
91 days or above	194	114
	2,275	1,913

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its hotel operations because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the assessment by the directors of the Company, the impairment allowance on trade receivables using the ECL model is considered immaterial to the condensed consolidated financial statements.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS HELD FOR TRADING

	31.1.2019 HK\$'000	31.7.2018 HK\$'000
Listed equity securities in Hong Kong	36,818	46,740
Listed debt securities in Hong Kong	70,493	–
Listed debt securities overseas	119,464	–
	226,775	46,740

The fair values of the above investments were determined based on the quoted market bid prices at the close of business at the end of the reporting period.

12. TRADE AND OTHER PAYABLES

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

	31.1.2019 HK\$'000	31.7.2018 HK\$'000
0 to 30 days	3,311	2,052
31 to 60 days	3,053	1,231
61 to 90 days	860	1,048
91 days or above	270	757
	7,494	5,088

13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1st August, 2017, 31st July, 2018 and 31st January, 2019	3,886,751,193	1,518,519

As announced by the Company on 30th January, 2019, the board of directors of the Company proposed share consolidation of every twenty existing ordinary shares in the share capital of the Company into one consolidated ordinary share (the "Proposed Share Consolidation"). The Proposed Share Consolidation was approved by shareholders of the Company at an extraordinary general meeting held on 12th March, 2019 and became effective on 13th March, 2019 with 194,337,559 consolidated shares being in issue.

14. 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.

15. 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 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	Significant unobservable inputs and sensitivity analysis
	31.1.2019 HK\$'000	31.7.2018 HK\$'000			
Listed equity securities at FVTPL	36,818	46,740	Level 1	Quoted bid prices in active market	N/A
Listed debt securities at FVTPL	189,957	–	Level 1	Quoted bid prices in active market	N/A
Unlisted equity securities at FVTOCI (2017: classified as AFS investments)	–	N/A	Level 3	Income approach – discounted cash flows method was used to capture the present value of the expected future economic benefits to be derived from the ownership of the investee	The expected future economic benefits to be derived from the ownership of the investee. The higher the expected future economic benefits, the higher the fair value, and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity instruments at FVTOCI US\$'000
At 1st July, 2017 (audited)	–
Reclassification upon initial application of HKFRS 9 (note 2.2)	13,640
At 1st August, 2018 (restated)	13,640
Unrealised fair value loss recognised in OCI	(13,640)
At 31st January, 2019 (unaudited)	–

For the other financial assets and financial liabilities, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

16. PLEDGE OF ASSETS

At 31st January, 2019, bank deposit of HK\$642,000 (31st July, 2018: 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, 2018: HK\$600,000) granted to the Group, HK\$5,000 (31st July, 2018: HK\$26,000) of which was utilised by the Group.

17. 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	
	31.1.2019 HK\$'000	31.1.2018 HK\$'000
Short-term benefits	3,250	3,427
Post-employment benefits	18	9
	3,268	3,436

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.

(b) 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:

	31.1.2019 HK\$'000	31.7.2018 HK\$'000
Non-controlling shareholders of certain subsidiaries of the Company	159,716	135,936
Directors of certain subsidiaries of the Company	3,928	1,448
	163,644	137,384

18. CONTINGENT LIABILITIES

At 31st January, 2019, the Group provided guarantees of HK\$192,647,000 (31st July, 2018: HK\$92,150,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company consider that the fair value and ECL of such guarantees on initial recognition was insignificant.

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of HK\$301.0 million for the six months ended 31st January, 2019, which comprised mainly income from sale of properties of HK\$259.2 million and hotel operations of HK\$41.8 million, as compared to HK\$45.2 million for the same period last year which comprised mainly income from hotel operations.

Net profit attributable to owners of the Company for the six months ended 31st January, 2019 was HK\$81.2 million, as compared to HK\$68.9 million for the same period last year.

The profit in the six-month period ended 31st January, 2019 was mainly attributable to HK\$80.0 million (six-month period ended 31st January, 2018: HK\$90.0 million) recognised in profit or loss, being the total amount of instalments received during the period from Kong Kei Construction Limited (“Kong Kei”) 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, 26th August, 2016, 29th January, 2019 and 18th March, 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2019, the Group had bank balances and cash of HK\$294.0 million (31st July, 2018: HK\$280.8 million) mainly in Hong Kong dollars and Renminbi and marketable securities totalling HK\$226.8 million (31st July, 2018: HK\$46.7 million).

No bank and other borrowings (other than corporate credit card payable classified as “other payable”) were outstanding at 31st January, 2019 (31st July, 2018: Nil).

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ funds was 38.7% at 31st January, 2019 (31st July, 2018: 50.3%).

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, 2019, 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")

Sales activities of the residential project alongside Hotel Fortuna, Foshan continue and revenue from sales of property amounting to HK\$259.2 million has been recognised for the six months ended 31st January, 2019. At 31st January, 2019, deposits for units pending hand over of approximately HK\$54.0 million was recorded and contribution from this high-rise residential development to the Group's revenue is expected to continue in the near term.

Nam Van Lake, Macau

The Group held an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company. Pursuant to an official gazette of the Macau Special Administrative Region of the People's Republic of China published during the year ended 31st July, 2018, the term of the land concession in respect of the property has expired and the Macau authorities declared that the land concession has become invalid. The Group has been informed by the investee company that a judicial appeal has been lodged against such resumption.

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, 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, 2019, the Group received a total of HK\$260.0 million from Kong Kei, of which HK\$80.0 million is recognised in profit or loss in the current interim period (six-month period ended 31st January, 2018: HK\$90.0 million). The remaining balance of HK\$38.0 million has been received after the reporting period and will be recognised in profit or loss for the year ending 31st July, 2019.

Further details of the above are set out in the Company's announcements dated 7th August, 2016, 8th August, 2016, 26th August, 2016, 29th January, 2019 and 18th March, 2019.

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, 2018, the hotel's occupancy rate dropped slightly to approximately 49.75% and recorded a turnover of approximately HK\$80.3 million in 2018 compared to approximately HK\$89.0 million in 2017.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. The hotel maintained a high occupancy rate of approximately 92.1% and recorded a turnover of approximately HK\$243.2 million in 2018 compared to approximately HK\$235.5 million in 2017.

FINANCIAL INVESTMENTS

As at 31st January, 2019, the Group's investment portfolio of financial assets at fair value through profit and loss consisted of listed equity securities of HK\$36.8 million (31st July, 2018: HK\$46.7 million) and listed debt securities of HK\$190.0 million (31st July, 2018: Nil). During the period, the Group had surplus cash arising from properties sales and Kong Kei's repayment, which were invested in the listed debt securities.

Listed equity securities of HK\$36.8 million (31st July, 2018: HK\$46.7 million), which consist entirely of shares in BOCOM International Holdings Company Limited, recorded an unrealised loss from fair value changes of HK\$9.9 million during the period (six-month period ended 31st January, 2018: HK\$0.8 million). Further details of the investment are set out in the Company's announcements dated 5th May, 2017 and 18th May, 2017.

As at 31st January, 2019, the Group had 26 listed debt securities (31st July, 2018: Nil) representing approximately 83.8% of the investment portfolio. The mark to market valuation of the largest single debt security within the portfolio represents approximately 0.9% of the Group's total assets, and that of the five largest debt securities held represents approximately 4.2%. The remaining 21 debt securities represent 10.4% of the Group's total assets, each ranging from 0.1% to 0.6%. Approximately 88.8% of these debt securities are related to PRC-based real estate companies.

During the period, the debts portfolio gave rise to a net unrealised fair value gain of HK\$0.2 million (31st July, 2018: Nil) and interest income of HK\$1.3 million (31st July, 2018: Nil).

The Group continues its securities investment as one of its principal activities and in the ordinary and usual course of business. Its strategy is to maintain a diversified portfolio of marketable securities for effective treasury and risk management. The Group will continue to invest its surplus funds in listed securities with attractive return and satisfactory rating, including debt securities. The investment portfolio, under close monitoring by the management, is expected to generate stable income and can be liquidated swiftly to support the Group's operations and cash requirements when need.

PROSPECTS

During the period, the Group received repayments totalling HK\$80.0 million from Kong Kei, the vendor of Sun Fat, and sales proceeds and deposits in relation to the Foshan residential project of approximately HK\$122.4 million.

The Group's financial position is expected to be further enhanced in view of more sales revenue forthcoming from the Foshan residential project and the remaining repayment from Kong Kei of HK\$38.0 million. The Group will use such extra funding to boost its existing operations and seize viable investment projects.

The Group remains confident of the general prosperity and business potential of the PRC, Macau and nearby regions. The management continues 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, 2019, the Group provided guarantees of approximately HK\$192.6 million (31st July, 2018: HK\$92.2 million) to banks in respect of mortgage loans provided by the banks to purchasers of the Group's developed properties. These guarantees will be released when the building ownership certificates are issued and pledged by the purchasers with the banks for the mortgage loans granted. The Directors consider that the fair value of such guarantees on initial recognition was insignificant. The Directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group in the event the purchasers default payments to the banks.

PLEDGE OF ASSETS

At 31st January, 2019, 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\$5,000 (31st July, 2018: HK\$26,000) was utilised by the Group.

EVENT AFTER THE END OF THE REPORTING PERIOD

On 12th March, 2019, an ordinary resolution was passed at an extraordinary general meeting to consolidate every twenty shares in the issued share capital of the Company into one consolidated share (the "Share Consolidation").

The Share Consolidation became effective on 13th March, 2019 and 3,886,751,193 shares in the issued share capital of the Company were consolidated into 194,337,559 consolidated shares.

EMPLOYEES

The Group offers its employees competitive remuneration packages to commensurate with their experience, performance and job nature,

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, 2019, 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")	77,700,000	36,736,500	1,291,612,500 (Note 1)	1,406,049,000	36.2%
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:

- 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.
- 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.
- The numbers of shares or underlying shares held by the directors and chief executive have not been adjusted for the effect of the Share Consolidation effective after the reporting period. As at 31st January, 2019, there was a total of 3,886,751,193 shares in the issued share capital of the Company before the Share Consolidation.

(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)	Corporate 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, 2019.

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, 2019, 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	77,700,000	36,736,500	1,291,612,500 (Note 1)	1,406,049,000	36.2%
Supervalue	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 Supervalue, which is in turn wholly owned by Mr. Chu.
3. The numbers of shares or underlying shares held by the substantial shareholders have not been adjusted for the effect of the Share Consolidation effective after the reporting period. As at 31st January, 2019, there was a total of 3,886,751,193 shares in the issued share capital of the Company before the Share Consolidation.

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, 2019.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2019.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2019 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, 2019.

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

During the six months ended 31st January, 2019, 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, 28th March, 2019

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.