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CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

INTERIM RESULTS

SIX MONTHS ENDED 31ST JANUARY, 2015

The directors of Capital Estate Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2015 together with the comparative figures for the six months ended 31st January, 2014 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2015

	NOTES	Six months ended	
		31.1.2015 HK\$'000 (unaudited)	31.1.2014 HK\$'000 (unaudited)
Revenue	3	64,238	71,780
Direct operating costs		(37,124)	(47,806)
Gross profit		27,114	23,974
Other gains and losses	4	9,512	2,836
Other income		1,022	1,593
Marketing expenses		(944)	(1,125)
Administrative expenses		(29,870)	(34,279)
Other hotel operating expenses		(13,451)	(13,921)
Impairment loss recognised on write-down of properties for/under development		–	(50,700)
Share of profit of an associate		4,205	1,438
Finance costs	5	(68)	(3,600)
Loss before taxation		(2,480)	(73,784)
Income tax credit	6	240	692
Loss for the period	7	(2,240)	(73,092)
Other comprehensive income (expense)			
Item that will not be reclassified subsequently to profit or loss:			
Share of property revaluation reserve of an associate		51,510	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(5,982)	6,758
Other comprehensive income for the year		45,528	6,758
Total comprehensive income (expense) for the period		43,288	(66,334)

	<i>NOTE</i>	Six months ended	
		31.1.2015 HK\$'000 (unaudited)	31.1.2014 <i>HK\$'000</i> (unaudited)
Loss for the period attributable to:			
Owners of the Company		(775)	(68,235)
Non-controlling interests		<u>(1,465)</u>	<u>(4,857)</u>
		<u>(2,240)</u>	<u>(73,092)</u>
 Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		46,269	(63,182)
Non-controlling interests		<u>(2,981)</u>	<u>(3,152)</u>
		<u>43,288</u>	<u>(66,334)</u>
 Loss per share	 8		
Basic and diluted – HK cents		<u>(0.03)</u>	<u>(2.76)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST JANUARY, 2015

	<i>NOTES</i>	31.1.2015 HK\$'000 (unaudited)	31.7.2014 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		354,602	372,301
Prepaid lease payments		2,646	2,735
Premium on prepaid lease payments		40,473	41,773
Interest in an associate		268,028	212,313
Available-for-sale investments		63,738	63,738
		<u>729,487</u>	<u>692,860</u>
Current assets			
Properties for/under development		309,493	288,358
Inventories		3,064	3,105
Trade and other receivables	<i>9</i>	16,945	8,404
Amount due from an associate		6,748	5,597
Prepaid lease payments		104	103
Investments held for trading		47,111	61,978
Pledged bank deposit		642	642
Bank balances and cash		32,797	42,641
		<u>416,904</u>	<u>410,828</u>
Current liabilities			
Trade and other payables	<i>10</i>	23,787	26,852
Amounts due to related parties		270,253	265,796
Bank and other borrowings		11,147	12,010
		<u>305,187</u>	<u>304,658</u>
Net current assets		<u>111,717</u>	<u>106,170</u>
Total assets less current liabilities		<u>841,204</u>	<u>799,030</u>

	<i>NOTES</i>	31.1.2015 HK\$'000 (unaudited)	31.7.2014 <i>HK\$'000</i> (audited)
Non-current liabilities			
Deferred tax liabilities		<u>67,330</u>	<u>68,444</u>
Net assets		<u>773,874</u>	<u>730,586</u>
Capital and reserves			
Share capital		1,322,924	1,322,924
Reserves		<u>(510,576)</u>	<u>(556,845)</u>
Equity attributable to owners of the Company		812,348	766,079
Non-controlling interests		<u>(38,474)</u>	<u>(35,493)</u>
Total equity		<u>773,874</u>	<u>730,586</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements 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 “Listing Rules”).

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st January, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st July, 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and a new Interpretation issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the amendments to HKFRSs and the new Interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Hotel operations	–	hotel business and its related services
Financial investment	–	trading of listed securities and other financial instruments
Property	–	sale of properties held for sale and property for/under development

Information regarding these segments is reported below.

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

Six months ended 31st January, 2015

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross proceeds	<u>64,238</u>	<u>30,987</u>	<u>–</u>	<u>95,225</u>
Segment revenue	<u>64,238</u>	<u>–</u>	<u>–</u>	<u>64,238</u>
Segment (loss) profit	<u>(5,883)</u>	<u>9,485</u>	<u>(19)</u>	<u>3,583</u>
Unallocated expenses				(10,200)
Share of profit of an associate				4,205
Finance costs				(68)
Loss before taxation				<u>(2,480)</u>

Six months ended 31st January, 2014

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross proceeds	<u>71,780</u>	<u>64,290</u>	<u>–</u>	<u>136,070</u>
Segment revenue	<u>71,780</u>	<u>–</u>	<u>–</u>	<u>71,780</u>
Segment (loss) profit	<u>(14,740)</u>	<u>4,012</u>	<u>(50,958)</u>	<u>(61,686)</u>
Unallocated expenses				(9,936)
Share of profit of an associate				1,438
Finance costs				(3,600)
Loss before taxation				<u>(73,784)</u>

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

Other segment information

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

For the six months ended 31st January, 2015

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Depreciation	(12,632)	-	-	(582)	(13,214)
Interest income	15	-	-	-	15
Interest income from investments held for trading	-	1,051	-	-	1,051
Loss on disposal of property, plant and equipment	(24)	-	-	-	(24)
	<u>(12,632)</u>	<u>-</u>	<u>-</u>	<u>(582)</u>	<u>(13,214)</u>

For the six months ended 31st January, 2014

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Impairment loss recognised on write-down of properties for/under development	-	-	(50,700)	-	(50,700)
Depreciation	(13,073)	-	-	(1,014)	(14,087)
Increase in fair value of derivative component in convertible bond	-	117	-	-	117
Interest income	173	1,161	-	-	1,334
Interest income from investments held for trading	-	951	-	-	951
Gain on disposal of property, plant and equipment	-	-	-	250	250
	<u>(13,073)</u>	<u>1,161</u>	<u>-</u>	<u>250</u>	<u>(11,462)</u>

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2015 <i>HK\$'000</i>	31.1.2014 <i>HK\$'000</i>
Dividend income from investments held for trading	–	160
Increase in fair value of derivative component in convertible bond	–	117
Increase in fair value of investments held for trading	8,461	2,423
Interest income from investments held for trading	1,051	951
Realised loss on derivative financial instruments	–	(815)
	<u>–</u>	<u>–</u>
	<u>9,512</u>	<u>2,836</u>

5. FINANCE COSTS

	Six months ended	
	31.1.2015 <i>HK\$'000</i>	31.1.2014 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank borrowings	68	2,824
Convertible notes	–	776
	<u>–</u>	<u>–</u>
	<u>68</u>	<u>3,600</u>

6. INCOME TAX CREDIT

	Six months ended	
	31.1.2015 <i>HK\$'000</i>	31.1.2014 <i>HK\$'000</i>
Tax credit comprises:		
Deferred taxation	240	692
	<u>–</u>	<u>–</u>
	<u>240</u>	<u>692</u>

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

7. LOSS FOR THE PERIOD

	Six months ended	
	31.1.2015	31.1.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– administrative expenses	582	1,014
– other hotel operating expenses	12,632	13,073
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	819	848
Bank and other interest income	(15)	(173)
Interest income on convertible bond	–	(1,161)
	<u> </u>	<u> </u>

8. LOSS PER SHARE

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

	Six months ended	
	31.1.2015	31.1.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(775)</u>	<u>(68,235)</u>
	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic and diluted loss per share	<u>2,467,834,129</u>	<u>2,467,834,129</u>

No diluted loss per share is presented for the six months ended 31st January, 2015 as the Group did not have any potential ordinary shares.

The computation of diluted loss per share for the six months ended 31st January, 2014 did not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share.

9. TRADE AND OTHER RECEIVABLES

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

	31.1.2015 <i>HK\$'000</i>	31.7.2014 <i>HK\$'000</i>
0 to 30 days	3,664	2,873
31 to 60 days	100	73
61 to 90 days	78	26
91 days or above	41	107
	<hr/> 3,883 <hr/>	<hr/> 3,079 <hr/>

10. TRADE AND OTHER PAYABLES

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

	31.1.2015 <i>HK\$'000</i>	31.7.2014 <i>HK\$'000</i>
0 to 30 days	3,855	3,162
31 to 60 days	1,084	1,667
61 to 90 days	90	923
91 days or above	4	898
	<hr/> 5,033 <hr/>	<hr/> 6,650 <hr/>

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the results

The Group reported revenue of approximately HK\$64.2 million for the six months ended 31st January, 2015, which comprised mainly income from hotel operations, as compared to HK\$71.8 million for the same period last year.

Net loss attributable to owners of the Company for the six months ended 31st January, 2015 was HK\$0.8 million, as compared to the net loss of HK\$68.2 million for the same period last year. The loss for the six months ended 31st January, 2014 was mainly attributable to impairment loss recognised on properties for development amounting to HK\$50.7 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2015, the Group had bank balances and cash of HK\$33.4 million (31st July, 2014: HK\$43.3 million) mainly in Hong Kong dollars and marketable securities totalling HK\$47.1 million (31st July, 2014: HK\$62.0 million).

Total bank and other borrowings (other than corporate credit card payable classified as “other payable”) were HK\$11.1 million at 31st January, 2015 (31st July, 2014: HK\$12.0 million). The bank and other borrowings were denominated in Hong Kong dollars and United States dollars, repayable within one year and carried interest on a floating rate basis.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ fund, was 45.9% at 31st January, 2015 (31st July, 2014: 48.7%).

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, 2015, the principal activities of the Group are property investment and development, hotel operation, financial investment and related activities.

Property investment and development

The Group continues to own the vacant land of approximately 9,553 square meters located in Coloane, Macau for residential development. According to a revised building plan submitted in late 2013, six luxury residential houses will be built with extensive outdoor areas and a gross floor area of approximately 5,000 square meters. The Group is awaiting approval of the building plan for the commencement of the development.

The Group also holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company. The site is for the development of a luxurious residential building on the waterfront at Nam Van Lake with a maximum permitted gross floor area of approximately 55,800 square meters.

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, 2014, the hotel had a stable occupancy rate of approximately 58.2% and a turnover of approximately HK\$124.7 million in 2014 compared to HK\$140.2 million in 2013.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. Despite the keen competition in the Macau hotel industry, the hotel maintained a high occupancy rate of approximately 92.5% and recorded a turnover of approximately HK\$283.9 million in 2014 compared to HK\$261.3 million in 2013.

PROSPECTS

The Group has commenced the planned development of a high-rise residential complex with a total gross floor area of approximately 86,000 square meters alongside Hotel Fortuna, Foshan. The development is expected to fully utilize the undeveloped permissible plot ratio counted gross floor area of Hotel Fortuna, Foshan and maximize shareholders' return.

The Group maintains a healthy financial position and is confident with the business outlook of the property and hospitality sectors in Macau and the PRC. The Group is well equipped for the challenges lying ahead and will continue to capture sound business opportunities which provide growth, capital appreciation and profit to the Group.

CONTINGENT LIABILITY

At 31st January, 2015, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

At 31st January, 2015, bank deposit of HK\$642,000 of the Group was pledged to banks to secure credit facilities to the extent of HK\$600,000 granted to the Group, of which HK\$10,000 was utilised by the Group.

EMPLOYEES

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

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2015.

Corporate governance

The Company complied throughout the six months ended 31st January, 2015 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 deviations:–

1. 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.

2. Under Code E.1.2, the Chairman of the board of directors (the “Board”) should attend the annual general meeting.

The Chairman of the Board was unable to attend the Company’s annual general meeting which was held on 11th December, 2014 as he had important business engagement.

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, 2015.

Purchase, sale or redemption of the Company’s listed securities

During the six months ended 31st January, 2015, 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, 25th March, 2015

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.