

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



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

INTERIM RESULTS

SIX MONTHS ENDED 31ST JANUARY, 2013

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, 2013 together with the comparative figures for the six months ended 31st January, 2012 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2013

		Six months ended	
	NOTES	31.1.2013 HK\$'000 (unaudited)	31.1.2012 HK\$'000 (unaudited)
Revenue	3	75,146	77,374
Direct operating costs		(46,553)	(45,637)
Gross profit		28,593	31,737
Other gains and losses	4	3,178	(7,572)
Other income		1,883	1,546
Marketing expenses		(1,343)	(829)
Administrative expenses		(29,884)	(27,771)
Other hotel operating expenses		(16,067)	(18,841)
Impairment loss recognised on properties for development		(135,500)	—
Written off of property, plant and equipment		—	(66,060)
Increase in fair value of investment properties		1,600	320
Share of loss of an associate		(2,823)	(7,575)
Finance costs	5	(5,194)	(5,262)
Loss before taxation		(155,557)	(100,307)
Income tax credit	6	827	1,287
Loss for the period	7	(154,730)	(99,020)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange gain arising on translation of foreign operations		9,705	4,156
Total comprehensive expense for the period		(145,025)	(94,864)

		Six months ended	
		31.1.2013	31.1.2012
		HK\$'000	HK\$'000
	NOTE	(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(153,267)	(98,856)
Non-controlling interests		<u>(1,463)</u>	<u>(164)</u>
		<u>(154,730)</u>	<u>(99,020)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(143,562)	(94,700)
Non-controlling interests		<u>(1,463)</u>	<u>(164)</u>
		<u>(145,025)</u>	<u>(94,864)</u>
Loss per share	8		
Basic and diluted – HK cents		<u>(6.21)</u>	<u>(4.00)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST JANUARY, 2013

	<i>NOTES</i>	31.1.2013 HK\$'000 (unaudited)	31.7.2012 HK\$'000 (audited)
Non-current assets			
Investment properties		45,300	43,700
Property, plant and equipment		405,753	403,047
Prepaid lease payments		2,879	2,854
Premium on prepaid lease payments		43,870	43,444
Interests in an associate		210,251	213,074
Available-for-sale investments		63,738	63,738
Convertible bond		7,174	6,523
Derivative component in convertible bond		6,654	3,562
		785,619	779,942
Current assets			
Properties for development		252,887	383,810
Inventories		4,241	3,471
Trade and other receivables	9	10,460	11,179
Amount due from an associate		3,732	3,272
Prepaid lease payments		101	97
Pledged bank deposit		641	641
Bank balances and cash		19,468	26,041
		291,530	428,511
Current liabilities			
Trade and other payables	10	41,722	36,024
Amounts due to related companies		13,115	9,120
Taxation payable		25,548	25,548
Bank borrowings – due within one year		29,976	25,537
Convertible notes – liability portion		18,680	–
		129,041	96,229
Net current assets		162,489	332,282
Total assets less current liabilities		948,108	1,112,224

	31.1.2013 <i>HK\$'000</i> (unaudited)	31.7.2012 <i>HK\$'000</i> (audited)
Non-current liabilities		
Loan from an associate	10,000	–
Bank borrowings – due after one year	85,183	97,527
Convertible notes – liability portion	–	17,782
Deferred tax liabilities	70,099	69,064
	<u>165,282</u>	<u>184,373</u>
Net assets	<u>782,826</u>	<u>927,851</u>
Capital and reserves		
Share capital	246,783	246,783
Share premium and reserves	535,846	679,408
	<u>782,629</u>	<u>926,191</u>
Equity attributable to owners of the Company	197	1,660
Non-controlling interests		
Total equity	<u>782,826</u>	<u>927,851</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31ST JANUARY, 2013

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 investment properties and 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, 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st July, 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before taxation or net of taxation. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been renamed and the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

As a result of the application of the amendments to HKAS 12, the Company does not recognise any deferred taxes on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income tax on disposal of these investment properties.

The application of the amendment to HKAS 12 in the current year has not resulted in any change in the Group's condensed consolidated financial statements since the Group did not recognise any deferred tax on changes in fair value of the investment properties in prior years due to accumulated fair value loss on investment properties and unpredictability of future profit streams.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, 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	–	leasing of properties and sale of properties held for sale and property under development

Information regarding these segments is reported below.

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

Six months ended 31st January, 2013

	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>74,862</u>	<u>–</u>	<u>284</u>	<u>75,146</u>
Segment revenue	<u>74,862</u>	<u>–</u>	<u>284</u>	<u>75,146</u>
Segment (loss) profit	<u>(9,013)</u>	<u>4,065</u>	<u>(134,421)</u>	<u>(139,369)</u>
Unallocated income				726
Unallocated expenses				(8,897)
Share of loss of an associate				(2,823)
Finance costs				<u>(5,194)</u>
Loss before taxation				<u>(155,557)</u>

Six months ended 31st January, 2012

	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>77,090</u>	<u>53,369</u>	<u>284</u>	<u>130,743</u>
Segment revenue	<u>77,090</u>	<u>–</u>	<u>284</u>	<u>77,374</u>
Segment loss	<u>(6,381)</u>	<u>(7,033)</u>	<u>(153)</u>	<u>(13,567)</u>
Unallocated income				780
Unallocated expenses				(8,623)
Written off of property, plant and equipment				(66,060)
Share of loss of an associate				(7,575)
Finance costs				<u>(5,262)</u>
Loss before taxation				<u>(100,307)</u>

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of certain investment income, central administration costs, directors' salaries, written off of property, plant and equipment, share of loss of an associate and finance costs. This is the measure reported to the chief operating decision maker 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, 2013

	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 properties for development	–	–	(135,500)	–	(135,500)
Depreciation	(15,265)	–	–	(738)	(16,003)
Increase in fair value of derivative component in convertible bond	–	3,092	–	–	3,092
Interest income	52	975	–	–	1,027
	<u>52</u>	<u>975</u>	<u>–</u>	<u>–</u>	<u>1,027</u>

For the six months ended 31st January, 2012

	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	(15,472)	–	–	(790)	(16,262)
Decrease in fair value of investments held for trading	–	(7,421)	–	–	(7,421)
Decrease in fair value of derivative component in convertible bond	–	(394)	–	–	(394)
Interest income	28	485	–	–	513
	<u>28</u>	<u>485</u>	<u>–</u>	<u>–</u>	<u>513</u>

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2013 <i>HK\$'000</i>	31.1.2012 <i>HK\$'000</i>
Increase (decrease) in fair value of derivative component in convertible bond	3,092	(394)
Gain on disposal of property, plant and equipment	86	–
Decrease in fair value of investments held for trading	–	(7,421)
Dividend income from investments held for trading	–	243
	<u>3,178</u>	<u>(7,572)</u>

5. FINANCE COSTS

	Six months ended	
	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	3,777	4,080
Convertible notes	1,301	1,182
Loan from an associate	116	—
	<u>5,194</u>	<u>5,262</u>

6. INCOME TAX CREDIT

	Six months ended	
	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
Tax credit comprises:		
Deferred taxation	<u>827</u>	<u>1,287</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 from prior years to offset against any assessable profits generated during the periods.

7. LOSS FOR THE PERIOD

	Six months ended	
	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– administrative expenses	738	790
– other hotel operating expenses	15,265	15,472
Release of prepaid lease payments and premium on		
prepaid lease payments (included in other hotel operating expenses)	802	3,369
Bank and other interest income	(52)	(28)
Interest income on convertible bond	(975)	(485)
Investment income earned from available-for-sale investments		
(included in other income)	<u>(726)</u>	<u>(780)</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	
	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(153,267)	(98,856)
	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic and diluted loss per share	2,467,834,129	2,467,834,129

The computation of diluted loss per share does 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. The following is an analysis of trade receivables, presented based on invoice date.

	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
0 to 30 days	3,396	4,690
31 to 60 days	204	224
61 to 90 days	33	49
91 days or above	183	204
	3,816	5,167

10. TRADE AND OTHER PAYABLES

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

	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
0 to 30 days	5,212	3,680
31 to 60 days	2,724	3,533
61 to 90 days	1,313	1,760
91 days or above	1,327	1,887
	10,576	10,860

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the results

The Group reported revenue of approximately HK\$75.1 million for the six months ended 31st January, 2013, which comprised mainly income from hotel operations, as compared to HK\$77.4 million for the same period last year.

Net loss attributable to owners of the Company for the six months ended 31st January, 2013 was HK\$153.3 million, as compared to the net loss of HK\$98.9 million for the same period last year. The loss for the period was mainly attributable to impairment loss recognised on properties for development amounting to HK\$135.5 million while the loss for the same period last year was mainly attributable to the write-off of the carrying amount of certain old building and facilities at the site of Hotel Fortuna, Foshan, the PRC amounting to HK\$66.1 million.

Liquidity and financial resources

The Group continued to maintain a liquid position. At 31st January, 2013, the Group had bank balances and cash of HK\$20.1 million (31st July, 2012: HK\$26.7 million) mainly in Hong Kong dollars.

Total bank borrowings (other than corporate credit card payable classified as “other payable”) were HK\$115.2 million at 31st January, 2013 (31st July, 2012: HK\$123.1 million), of which HK\$30.0 million were repayable within one year and HK\$85.2 million within two to five years. The bank borrowings were denominated in Renminbi and carried interest on a floating rate basis.

Convertible notes of face value HK\$20.0 million outstanding at 31st January, 2013 were repayable on 8th November 2013.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ fund, was 37.6% at 31st January, 2013 (31st July, 2012: 30.3%).

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, 2013, 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. A revised building plan has been submitted in late 2012 pending approval for commencement of the development. According to the revised plan 6 luxury residential houses with extensive outdoor areas and related facilities will be built with a gross floor area of approximately 4,426 square meters.

The Group holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company, Sociedade de Investimento Imobiliário Pun Keng Van, S.A.. 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. The progress of the project will be monitored closely.

Hotel operation

The Group owns 100% interest in Hotel Fortuna, Foshan, a hotel with over 400 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC, through a wholly owned subsidiary, Foshan Fortuna Hotel Company Limited (“Foshan Fortuna”). During the year ended 31st December, 2012, the hotel maintained a stable occupancy rate of approximately 58% and recorded a turnover of approximately HK\$140.6 million in 2012 compared to HK\$145.7 million in 2011.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau which is owned and operated by Tin Fok Holding Company Limited, an associated company of the Group. Despite the keen competition in the Macau hotel industry, Hotel Fortuna, Macau continued to maintain a high occupancy rate of approximately 96% and recorded a stable turnover of approximately HK\$257.2 million in 2012 compared to HK\$224.5 million in 2011.

PROSPECTS

After the period end, on 28 February 2013, the Company entered into two sales and purchase agreements with each of Gao Wang Investments Limited (高旺投資有限公司) and Gold Champion Investments Limited (金冠投資有限公司) (together the “Purchasers”) and their respective beneficial owner as guarantor (together the “Guarantors”) whereby the Company agreed to sell and the Purchasers agreed to purchase, an aggregate of 25% of the entire issued share capital of Hotel Fortuna (Hong Kong) Company Limited (“Fortuna (HK)”) and 25% of the shareholder’s loan advanced by the Company to Fortuna (HK) for a total consideration of HK\$150,000,000.

Fortuna (HK) is the immediate holding company of Foshan Fortuna and the Guarantors are directors of Foshan Fortuna and certain other subsidiaries of the Group. Subject to shareholders’ approval, the proposed disposal is expected to be completed in April 2013.

The Group has been committed to the full utilization of the undeveloped permissible plot ratio counted gross floor area at Hotel Fortuna, Foshan of approximately 62,000 square meter by the construction of new residential buildings for sale according to plan with a view to maximize shareholders' return.

The proposed disposal will provide additional working capital and funding to the Group especially for the above property development in Foshan, and align the interests of the Guarantors with the interests of the Group. The Guarantors have been operating Hotel Fortuna, Foshan and have valuable experience in property development and vast business network, especially in the PRC. The Guarantors and the Group are expected to work together to achieve their common goal.

The Group is optimistic with the business prospects of the property and hospitality sectors in Macau and the PRC. With healthy financial position and business operation, the Group continues to look for sound business opportunities which will provide growth, capital appreciation and profit to the Group.

Contingent liability

At 31st January, 2013, the Group had no significant contingent liabilities.

Pledge of assets

At 31st January, 2013, hotel properties of HK\$331,674,000 of the Group were pledged to secure bank borrowings of RMB92,200,000 (equivalent to approximately HK\$115,160,000) granted to the Group. Bank deposit of HK\$641,000 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\$6,000 was utilised by the Group.

Audit committee

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2013.

Corporate governance

The Company complied throughout the six months ended 31st January, 2013 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:–

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, 2013.

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

During the six months ended 31st January, 2013, 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, 26th March, 2013

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.