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, 2012

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, 2012 together with the comparative figures for the six months ended 31st January, 2011 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31ST JANUARY, 2012

		Six months ended	
	NOTES	**31.1.2012** ***HK$'000*** **(unaudited)**	31.1.2011 *HK$'000* (unaudited)
Revenue	*3*	**77,374**	65,192
Direct operating costs		**(45,637)**	(34,507)
Gross profit		**31,737**	30,685
Other gains and losses	*4*	**(7,572)**	14,489
Other income		**1,546**	915
Marketing expenses		**(829)**	(638)
Administrative expenses		**(27,771)**	(31,944)
Other hotel operating expenses		**(18,841)**	(18,901)
Written off of property, plant and equipment		**(66,060)**	–
Increase in fair value of investment properties		**320**	3,900
Share of (losses) profits of associates		**(7,575)**	1,077
Finance costs	*5*	**(5,262)**	(7,012)
Loss before taxation		**(100,307)**	(7,429)
Income tax credit	*6*	**1,287**	1,402
Loss for the period	*7*	**(99,020)**	(6,027)
Other comprehensive income			
Exchange differences arising on translation		**4,156**	19,349
Total comprehensive (expense) income for the period		**(94,864)**	13,322

	NOTE	Six months ended 31.1.2012 HK$'000 (unaudited)	31.1.2011 HK$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(98,856)**	(5,881)
Non-controlling interests		**(164)**	(146)
		(99,020)	(6,027)
Total comprehensive expense attributable to:			
Owners of the Company		**(94,700)**	13,468
Non-controlling interests		**(164)**	(146)
		(94,864)	13,322
LOSS PER SHARE	*8*		
Basic and diluted – HK cents		**(4.00)**	(0.27)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST JANUARY, 2012

	NOTES	**31.1.2012** *HK$'000* **(unaudited)**	31.7.2011 *HK$'000* (audited)
Non-current Assets			
Investment properties		**43,800**	43,480
Property, plant and equipment		**411,289**	470,465
Prepaid lease payments		**13,125**	13,165
Premium on prepaid lease payments		**191,021**	191,393
Interests in associates		**213,662**	221,247
Available-for-sale investments		**59,850**	59,850
Convertible bond		**5,969**	–
Derivative component in convertible bond		**4,122**	–
		942,838	999,600
Current Assets			
Amounts due from associates		**3,319**	3,456
Properties for development		**227,200**	227,200
Inventories		**3,777**	2,881
Trade and other receivables	*9*	**9,107**	7,602
Prepaid lease payments		**445**	432
Investments held for trading		**4,308**	41,551
Pledged bank deposits		**641**	641
Bank balances and cash		**48,401**	49,790
		297,198	333,553
Current Liabilities			
Trade and other payables	*10*	**38,877**	30,949
Amount due to a related party		**–**	150
Taxation payable		**25,548**	25,548
Bank borrowings – due within one year		**22,131**	19,391
		86,556	76,038
Net current assets		**210,642**	257,515
Total assets less current liabilities		**1,153,480**	1,257,115

	31.1.2012	31.7.2011
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Non-current Liabilities		
Bank borrowings – due after one year	**113,358**	122,647
Convertible notes – liability portion	**16,954**	16,173
Deferred tax liabilities	**71,118**	71,381
	201,430	210,201
	952,050	1,046,914
Capital and Reserves		
Share capital	**246,783**	246,783
Share premium and reserves	**703,450**	798,150
Equity attributable to owners of the Company	**950,233**	1,044,933
Non-controlling interests	**1,817**	1,981
	952,050	1,046,914

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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") and with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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, 2012 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st July, 2011.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

The application of these new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[3]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013.
[2] Effective for annual periods beginning on or after 1st January, 2015.
[3] Effective for annual periods beginning on or after 1st January, 2012.
[4] Effective for annual periods beginning on or after 1st July, 2012.
[5] Effective for annual periods beginning on or after 1st January, 2014.

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1st August, 2015 will affect the classification and measurement of the Group's available-for-sale investments based on the Group's financial assets and financial liabilities as at 31st January, 2012.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

Hotel operations	–	hotel business and its related services
Financial investment	–	trading of listed securities and derivative 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, 2012

	Hotel operations *HK$'000*	Financial investment *HK$'000*	Property *HK$'000*	Total *HK$'000*
Gross proceeds	**77,090**	**53,369**	**284**	**130,743**
Segment revenue	**77,090**	**–**	**284**	**77,374**
Segment loss	**(6,381)**	**(7,033)**	**(153)**	**(13,567)**
Unallocated income				**780**
Unallocated expenses				**(8,623)**
Written off of property, plant and equipment				**(66,060)**
Share of losses of associates				**(7,575)**
Finance costs				**(5,262)**
Loss before taxation				**(100,307)**

Six months ended 31st January, 2011

	Hotel operations *HK$'000*	Financial investment *HK$'000*	Property *HK$'000*	Total *HK$'000*
Gross proceeds	64,908	88,733	284	153,925
Segment revenue	64,908	–	284	65,192
Segment (loss) profit	(6,138)	14,655	3,432	11,949
Unallocated income				563
Unallocated expenses				(14,006)
Share of profits of associates				1,077
Finance costs				(7,012)
Loss before taxation				(7,429)

Segment (loss) profit represents the (loss) profit incurred/earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, certain investment income and finance costs. This is the measure reported to the chief operating decisions maker for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2012	31.1.2011
	HK$'000	*HK$'000*
(Decrease) increase in fair value of investments held for trading	**(7,421)**	14,122
(Decrease) increase in fair value of derivative financial instruments	**(394)**	68
Dividend income from investments held for trading	**243**	299
	(7,572)	14,489

5. FINANCE COSTS

	Six months ended	
	31.1.2012	31.1.2011
	HK$'000	*HK$'000*
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	**4,080**	3,890
Consideration payable for acquisition of subsidiaries	**–**	444
Interest on convertible notes	**1,182**	1,730
Other interest	**–**	948
	5,262	7,012

6. INCOME TAX CREDIT

	Six months ended	
	31.1.2012	31.1.2011
	HK$'000	*HK$'000*
The credit comprises:		
Deferred taxation	**1,287**	1,402

No provision for Hong Kong Profits Tax and Enterprise Income Tax in PRC subsidiaries 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	
	31.1.2012	31.1.2011
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
Other hotel operating expenses	**15,472**	15,654
Administrative expenses	**790**	985
Release of prepaid lease payments and premium on prepaid lease payment (included in other hotel operating expenses)	**3,369**	3,247
Bank and other interest income	**(28)**	(274)
Investment income earned from available-for-sale investment	**(780)**	(562)
Accretion interest income on convertible bond	**(485)**	–

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	
	31.1.2012	31.1.2011
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(98,856)**	(5,881)

	Number of shares	**Number of shares**
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	2,467,834,129	2,186,886,065

No diluted loss per share had been presented for both periods because the exercise of the convertible notes 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 by age, presented based on the invoice date.

	31.1.2012	31.7.2011
	HK$'000	*HK$'000*
0 – 30 days	**2,267**	2,273
31 – 60 days	**538**	245
61 – 90 days	**85**	102
Over 90 days	**129**	133
	3,019	2,753

10. TRADE AND OTHER PAYABLES

The following is an analysis of trade payable by age, presented based on the invoice date.

	31.1.2012	31.7.2011
	HK$'000	*HK$'000*
0 – 30 days	**4,648**	3,865
31 – 60 days	**4,184**	1,856
61 – 90 days	**1,107**	1,795
Over 90 days	**1,132**	929
	11,071	8,445

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the results

The Group reported gross proceeds of approximately HK$130.7 million for the six months ended 31st January, 2012, which comprised mainly income from hotel operations and gross proceeds from sales of securities, as compared to HK$153.9 million for the same period last year.

Net loss attributable to owners of the Company for the six months ended 31st January, 2012 was HK$98.9 million, as compared to the net loss of HK$5.9 million for the same period last year. The loss 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. The old building was demolished for further development according to plan following the construction of the new recreational building.

Liquidity and financial resources

The Group continued to maintain a liquid position. At 31st January, 2012, the Group had bank balances and cash of HK$49.0 million (31st July, 2011: HK$50.4 million) mainly in Hong Kong dollars and marketable securities totalling HK$4.3 million (31st July 2011: HK$41.6 million).

Total bank borrowings (other than corporate credit card payable classified as “other payable”) were HK$135.5 million at 31st January, 2012 (31st July, 2011: HK$142.0 million), of which HK$22.1 million were repayable within one year and HK$113.4 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, 2012 were repayable in 2013.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ fund, was 30.3% at 31st January, 2012 (31st July, 2011: 27.4%).

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, 2012, 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 10,154 square meters located in Coloane, Macau. According to the revised building plan submitted to the government in late 2011, the land is for the construction of 46 luxury residential houses and related facilities with a total residential gross floor area of approximately 15,590 square meters. The Group is awaiting the government's approval for the commencement of the development.

The Group holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company, Sociedade de Investmento Imboiliaro Pun Keng Van, SARL. The site is for the development of a 51-storey (plus 4 basement levels) 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 408 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC, through a wholly owned subsidiary, Foshan Fortuna Hotel Company Limited. During the year ended 31st December, 2011, the hotel maintain a stable occupancy rate of approximately 63% and recorded a turnover of approximately HK$145.7 million in 2011 compared to HK$117.9 million in 2010.

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 97% and recorded a stable turnover of approximately HK$224.5 million in 2011 when compared to the turnover of HK$181.2 million in 2010.

PROSPECTS

The construction of the new recreational building of Hotel Fortuna, Foshan with swimming pool, gym, sauna, karaoke and other club house facilities was completed during the period. These new facilities are expected to enhance the operational efficiency, competitiveness and revenue of the hotel.

After the completion of the recreational building of Hotel Fortuna, Foshan still has an undeveloped permissible gross floor area for residential and commercial uses in excess of 64,000 square meters. The management will launch feasible development plans at the right time to fully realise such development potential.

The Group is optimistic with the long term prospects of the property and hospitality sectors in Macau and the PRC. With healthy financial position and business operation, the Group continues its prudent approach to identify and seek sound business opportunities to enhance shareholders' return.

Contingent liability

At 31st January, 2012, the Group had no significant contingent liabilities.

Pledge of assets

At 31st January, 2012, hotel properties of HK$331,797,000 of the Group were pledged to secure bank borrowings of RMB110,200,000 (equivalent to approximately HK$135,489,000) 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, 2012.

Corporate governance

The Company complied throughout the six months ended 31st January, 2012 with the Code on Corporate Governance Practices (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.

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, 2012.

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

During the six months ended 31st January, 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraph 46 of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
CAPITAL ESTATE LIMITED
Sio Tak Hong
Chairman

Hong Kong, 27th March, 2012

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.