



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193



Interim Report
2015/16

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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
Asia Orient Tower, Town Place
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 16, which comprise the condensed consolidated statement of financial position as of 31st January, 2016 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 Main Board Listing 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

24th March, 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2016

	NOTES	Six months ended	
		31.1.2016 HK\$'000 (unaudited)	31.1.2015 HK\$'000 (unaudited)
Revenue	3	50,911	64,238
Direct operating costs		(30,202)	(37,124)
Gross profit		20,709	27,114
Other gains and losses	4	(14,962)	8,461
Other income		2,050	2,073
Marketing expenses		(885)	(944)
Administrative expenses		(27,733)	(29,870)
Other hotel operating expenses		(12,885)	(13,451)
Share of (loss) profit of an associate		(9,347)	4,205
Finance costs	5	(623)	(68)
Loss before taxation		(43,676)	(2,480)
Income tax credit	6	572	240
Loss for the period	7	(43,104)	(2,240)
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		(27,558)	(5,982)
Other comprehensive (expense) income for the period		(27,558)	45,528
Total comprehensive (expense) income for the period		(70,662)	43,288
Loss for the period attributable to:			
Owners of the Company		(40,780)	(775)
Non-controlling interests		(2,324)	(1,465)
		(43,104)	(2,240)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(61,360)	46,269
Non-controlling interests		(9,302)	(2,981)
		(70,662)	43,288
			(Restated)
Loss per share	8		
Basic – HK cents		(1.10)	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2016

	NOTES	31.1.2016 HK\$'000 (unaudited)	31.7.2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	314,201	343,487
Prepaid lease payments		2,427	2,606
Premium on prepaid lease payments		37,231	39,914
Interest in an associate		230,402	239,749
Available-for-sale investments		63,738	63,738
		647,999	689,494
Current assets			
Properties for/under development	10	428,149	373,061
Inventories		3,074	3,065
Trade and other receivables	11	7,477	6,816
Amount due from an associate	18(b)	7,057	5,552
Prepaid lease payments		103	106
Investments held for trading		57,813	29,960
Pledged bank deposit		642	642
Bank balances and cash		78,776	201,662
		583,091	620,864
Current liabilities			
Trade and other payables	12	28,284	27,741
Amounts due to related parties	18(b)	259,405	264,761
		287,689	292,502
Net current assets			
		295,402	328,362
Total assets less current liabilities			
		943,401	1,017,856
Non-current liabilities			
Amount due to a director	18(c)	50,000	50,000
Deferred tax liabilities		62,967	66,760
		112,967	116,760
Net assets			
		830,434	901,096
Capital and reserves			
Share capital	13	1,504,752	1,504,752
Reserves		(622,695)	(561,335)
Equity attributable to owners of the Company		882,057	943,417
Non-controlling interests		(51,623)	(42,321)
Total equity			
		830,434	901,096

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2016

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Capital reserve	Share option reserve	Capital reduction reserve	Translation reserve	Revaluation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Balance at 1st August, 2014 (audited)	1,322,924	157	23,542	170,583	35,263	9,200	(795,590)	766,079	(35,493)	730,586
Loss for the period	-	-	-	-	-	-	(775)	(775)	(1,465)	(2,240)
Share of property revaluation reserve of an associate	-	-	-	-	-	51,510	-	51,510	-	51,510
Exchange differences arising on translation of foreign operations	-	-	-	-	(4,466)	-	-	(4,466)	(1,516)	(5,982)
Total comprehensive (expense) income for the period	-	-	-	-	(4,466)	51,510	(775)	46,269	(2,981)	43,288
Balance at 31st January, 2015 (unaudited)	1,322,924	157	23,542	170,583	30,797	60,710	(796,365)	812,348	(38,474)	773,874
Balance at 1st August, 2015 (audited)	1,504,752	157	23,542	170,583	31,821	60,710	(848,148)	943,417	(42,321)	901,096
Loss for the period	-	-	-	-	-	-	(40,780)	(40,780)	(2,324)	(43,104)
Exchange differences arising on translation of foreign operations	-	-	-	-	(20,580)	-	-	(20,580)	(6,978)	(27,558)
Total comprehensive expense for the period	-	-	-	-	(20,580)	-	(40,780)	(61,360)	(9,302)	(70,662)
Balance at 31st January, 2016 (unaudited)	1,504,752	157	23,542	170,583	11,241	60,710	(888,928)	882,057	(51,623)	830,434

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2016

	Six months ended	
	31.1.2016 HK\$'000 (unaudited)	31.1.2015 HK\$'000 (unaudited)
Net cash used in operating activities	(119,913)	(13,321)
Net cash used in investing activities		
Proceeds from disposal of property, plant and equipment	450	50
Interest received	43	15
Advance to an associate	(1,773)	(1,222)
Purchase of property, plant and equipment	(164)	(192)
	(1,444)	(1,349)
Net cash from financing activities		
Advance from related parties	1,163	6,195
Interest paid	(6)	(68)
Repayment of bank borrowings	-	(863)
	1,157	5,264
Net decrease in cash and cash equivalents	(120,200)	(9,406)
Cash and cash equivalents at beginning of the period	201,662	42,641
Effect of foreign exchange rate changes	(2,686)	(438)
Cash and cash equivalents at end of the period, represented by bank balances and cash	78,776	32,797

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2016

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").

The financial information relating to the year ended 31st July, 2015 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements 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, 2015 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st January, 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st July, 2015.

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.

3. SEGMENT INFORMATION *(Continued)*

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, 2016

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Total HK\$'000
Gross proceeds	50,911	91,619	-	142,530
Segment revenue	50,911	-	-	50,911
Segment loss	(9,027)	(14,711)	(21)	(23,759)
Unallocated expenses				(9,947)
Share of results of an associate				(9,347)
Finance costs				(623)
Loss before taxation				(43,676)

Six months ended 31st January, 2015

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

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of 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. SEGMENT INFORMATION *(Continued)*

Other segment information

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

For the six months ended 31st January, 2016

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
Depreciation	(12,077)	-	-	(413)	(12,490)
Interest income	42	1	-	-	43
Interest income from investments held for trading	-	251	-	-	251
Gain on disposal of property, plant and equipment	-	-	-	189	189

For the six months ended 31st January, 2015

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
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)

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2016 HK\$'000	31.1.2015 HK\$'000
Dividend income from investments held for trading	21	–
(Decrease) increase in fair value of investments held for trading	(14,983)	8,461
	(14,962)	8,461

5. FINANCE COSTS

	Six months ended	
	31.1.2016 HK\$'000	31.1.2015 HK\$'000
Interest on borrowings:		
Amount due to a director	617	–
Bank borrowings	6	68
	623	68

6. INCOME TAX CREDIT

	Six months ended	
	31.1.2016 HK\$'000	31.1.2015 HK\$'000
Tax credit comprises:		
Deferred taxation	572	240

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	
	31.1.2016 HK\$'000	31.1.2015 HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– administrative expenses	413	582
– other hotel operating expenses	12,077	12,632
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	808	819
Bank and other interest income	(43)	(15)

8. LOSS PER SHARE

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

	Six months ended	
	31.1.2016 HK\$'000	31.1.2015 HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic loss per share	(40,780)	(775)
	Number of shares	Number of shares (Restated)
Weighted average number of ordinary shares for the purposes of basic loss per share	3,701,751,193	2,961,400,955

The denominator for the purpose of calculating basic loss per share for the six months ended 31st January, 2015 has been adjusted to reflect bonus element of the rights issue of shares completed in July 2015 on the basis of one rights share for every two ordinary shares.

No diluted loss 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\$164,000 (six months ended 31st January, 2015: HK\$192,000).

10. PROPERTIES FOR/UNDER DEVELOPMENT

The Group's properties for/under development are located on land in:

	31.1.2016 HK\$'000	31.7.2015 HK\$'000
Macau	60,000	60,000
Mainland China	368,149	313,061
	428,149	373,061

Cost comprises the costs of land use rights, other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development and property development costs. No finance cost on development has been capitalised. Properties for/under development are stated at the lower of cost and net realisable value.

For the properties for development in Macau (the "Macau Properties"), the Group is awaiting government approval for the proposed development to commence construction activities. During the year ended 31st July, 2012, the Group made a modification to the original development plan according to the requirements of the relevant authorities in Macau (Direccao dos Servicos de Solos, Obras Publicas e Transportes ("DSSOPT")). During the year ended 31st July, 2013, the Group further revised the plan from developing semi-detached houses and related facilities with a total gross floor area of approximately 16,700 square metres to a low-density development of luxury villas and related facilities with a total gross floor area of approximately 4,400 square metres in order to procure the approval for early commencement of the residential development. At 31st July, 2015, cumulative impairment loss of HK\$241,233,000 was recognised on write-down of the Macau Properties. Based on the management's evaluation as at 31st January, 2016, no impairment indicator is identified which may deteriorate the net realisable value of the Macau Properties. Accordingly, no further impairment on Macau Properties is recognised in the current interim period.

The net realisable value of the Macau Properties at 31st January, 2016 was arrived at using valuation of the leasehold land less the estimated land premium costs in relation to the current development plan. The valuation of the leasehold land was carried out on that day by American Appraisal China Limited, independent professionally qualified valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar parcels of leasehold land with adjustments for factor such as differences in scale of development, development density, location, type of development and time periods.

The Group has not commenced construction activities of the Macau Properties. Although the timing of the approval by DSSOPT is not certain and the construction is not scheduled to be completed in a year, the Group will commence the development once approvals from the relevant authorities are obtained.

In October 2013, the Group obtained approvals from the relevant authorities in Mainland China for the construction of new residential buildings for sale and the construction activities started. During the six months ended 31st January, 2016, additions of properties under development in Mainland China amounted to HK\$70,193,000 (six months ended 31st January, 2015: HK\$24,050,000).

11. TRADE AND OTHER RECEIVABLES

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.

	31.1.2016 HK\$'000	31.7.2015 HK\$'000
0 to 30 days	1,993	2,792
31 to 60 days	439	167
61 to 90 days	24	16
91 days or above	183	146
	2,639	3,121

12. TRADE AND OTHER PAYABLES

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

	31.1.2016 HK\$'000	31.7.2015 HK\$'000
0 to 30 days	3,394	3,014
31 to 60 days	3,525	2,630
61 to 90 days	1,061	718
91 days or above	540	202
	8,520	6,564

13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares with no par value		
Issued and fully paid:		
At 1st August, 2014	2,467,834,129	1,322,924
Rights issue of shares, net of transaction costs	1,233,917,064	181,828
At 31st July, 2015 and 31st January, 2016	3,701,751,193	1,504,752

On 2nd July, 2015, the Company allotted 1,233,917,064 rights shares at a subscription price of HK\$0.15 per rights share on the basis of one rights share for every two then existing ordinary shares held. The Company raised HK\$181,828,000 (net of expenses) with the intention at the time of rights issue to finance the property development project in Mainland China and serve as general working capital of the Group.

14. SHARE-BASED PAYMENT TRANSACTIONS

The Company had a share option scheme adopted on 7th December, 2012.

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 those derived from 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
	31.1.2016	31.7.2015		
	HK\$'000	HK\$'000		
Listed equity securities	44,155	16,074	Level 1	Quoted bid prices in active market
Listed debt securities	13,658	13,886	Level 1	Quoted bid prices in active market
	57,813	29,960		

There were no transfers between Levels 1, 2 and 3 in both periods.

16. PLEDGE OF ASSETS

At 31st January, 2016, bank deposit of HK\$642,000 (31st July, 2015: 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, 2015: HK\$600,000) granted to the Group, HK\$9,000 (31st July, 2015: HK\$5,000) of which was utilised by the Group.

17. COMMITMENTS

	31.1.2016 HK\$'000	31.7.2015 HK\$'000
Contracted for but not provided in the condensed consolidated financial statements in respect of – properties under development	109,637	174,556

18. 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	
	31.1.2016 HK\$'000	31.1.2015 HK\$'000
Short-term benefits	3,718	3,636
Post-employment benefits	9	9
	3,727	3,645

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 and repayable on demand. It is non-trade in nature and 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:

	31.1.2016 HK\$'000	31.7.2015 HK\$'000
Non-controlling shareholders of certain subsidiaries of the Company	166,351	129,626
A director of certain subsidiaries of the Company	93,054	135,135
	259,405	264,761

(c) Amount due to a director

The balance at the end of the reporting period is unsecured, interest-bearing at Hong Kong Dollars Prime Rate minus 2.8% per annum and repayable by 9th February, 2018. In the opinion of the directors, no portion of the outstanding balance will be repaid within twelve months from the end of the reporting period. Accordingly, the amount is shown under non-current liabilities.

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of approximately HK\$50.9 million for the six months ended 31st January, 2016, which comprised mainly income from hotel operations, as compared to HK\$64.2 million for the same period last year.

Net loss attributable to owners of the Company for the six months ended 31st January, 2016 was HK\$40.8 million, as compared to the net loss of HK\$0.8 million for the same period last year. The loss for the six months ended 31st January, 2016 was mainly attributable to decrease in fair value of investments held for trading amounting to HK\$15.0 million (six months ended 31st January, 2015: increase in fair value of HK\$8.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2016, the Group had bank balances and cash of HK\$79.4 million (31st July, 2015: HK\$202.3 million) mainly in Hong Kong dollars and marketable securities totalling HK\$57.8 million (31st July, 2015: HK\$30.0 million).

No bank and other borrowings (other than corporate credit card payable classified as “other payable”) were outstanding at 31st January, 2016 (31st July, 2015: Nil).

On 14th May, 2015, the Company announced a proposed rights issue on the basis of one rights share for every two shares in issue at a subscription price of HK\$0.15 per share. The rights issue was completed on 2nd July, 2015 and the issued share capital of the Company was increased to 3,701,751,193 shares.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ funds was 45.4% at 31st January, 2016 (31st July, 2015: 43.4%).

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, 2016, the principal activities of the Group are property investment and development, hotel operation, financial investment and related activities.

PROPERTY INVESTMENT AND DEVELOPMENT

During the period, the construction work of the residential project alongside Hotel Fortuna, Foshan was progressing steadily according to plan. The high-rise residential complex with a total gross floor area of approximately 86,000 square meters is expected to fully utilize the undeveloped permissible plot ratio counted gross floor area of Hotel Fortuna, Foshan.

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, 2015, the hotel had a stable occupancy rate of approximately 54.7% and a turnover of approximately HK\$102.3 million in 2015 compared to HK\$124.7 million in 2014. The drop in turnover was mainly due to the outsourcing of certain ancillary services to save non-core business cost and resources.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. The hotel maintained a high occupancy rate of approximately 89.9% and recorded a turnover of approximately HK\$233.6 million in 2015 compared to HK\$259.6 million in 2014.

PROSPECTS

The rights issue completed in July 2015 has further strengthened the financial position of the Group and broadened its capital base. The net proceeds of approximately HK\$181.8 million successfully raised has contributed to the funds needed for the residential development in Foshan, the PRC, which due completion is expected to enhance the profitability of the Group and maximize shareholders' value.

Although the economic growth of the PRC and Macau has been modest in recent years, the Group remains confident of the general prosperity and business potential of the regions. Facing the challenging business environment and uncertainties, the management will continue to closely monitor its existing businesses, and take prudent steps to capture viable business opportunities to maintain sustainable long term growth of the Group.

CONTINGENT LIABILITY

At 31st January, 2016, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

At 31st January, 2016, 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\$9,000 was utilized by the Group.

EMPLOYEES

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

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, 2016, 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")	-	36,736,500	1,291,612,500 (Note 1)	1,328,349,000	35.9%
Chu Nin Yiu, Stephen ("Mr. Chu")	35,550,000	-	500,171,100 (Note 2)	535,721,100	14.5%
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.

(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)	Corporated 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, 2016.

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, 2016, 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	34.9%
Mr. Sio	-	36,736,500	1,291,612,500 (Note 1)	1,328,349,000	35.9%
Supervalve	500,171,100	-	-	500,171,100	13.5%
Mr. Chu	35,550,000	-	500,171,100 (Note 2)	535,721,100	14.5%

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 Supervalve, which is in turn wholly owned by Mr. Chu.

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, 2016.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2016.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2016 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, 2016.

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

During the six months ended 31st January, 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CHANGES IN DIRECTORS' PROFILES DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' profiles details since the date of the last report of the Company are set out below.

Mr. Sio Tak Hong resigned as a member of Guangdong Provincial Chinese People's Political Consultative Conference due to personal reasons, but remains as a member of the National Committee of the Chinese People's Political Consultative Conference.

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

Hong Kong, 24th March, 2016

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.