



CAPITAL ESTATE LIMITED
冠中地產有限公司

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



INTERIM REPORT
2012/2013

CONTENTS

	<i>PAGE(S)</i>
CORPORATE INFORMATION	2
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	3
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	9
INTERIM DIVIDEND	22
MANAGEMENT DISCUSSION AND ANALYSIS	22
OTHER INFORMATION	24

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 and its subsidiaries set out on pages 4 to 21, which comprise the condensed consolidated statement of financial position as of 31st January, 2013 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

26th March, 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2013

	NOTES	Six months ended	
		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	11	(135,500)	–
Written off of property, plant and equipment		–	(66,060)
Increase in fair value of investment properties	9	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)
Loss for the period attributable to:			
Owners of the Company		(153,267)	(98,856)
Non-controlling interests		(1,463)	(164)
		(154,730)	(99,020)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(143,562)	(94,700)
Non-controlling interests		(1,463)	(164)
		(145,025)	(94,864)
Loss per share	8		
Basic and diluted – HK cents		(6.21)	(4.00)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2013

	NOTES	31.1.2013 HK\$'000 (unaudited)	31.7.2012 HK\$'000 (audited)
Non-current assets			
Investment properties	9	45,300	43,700
Property, plant and equipment	10	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	11	252,887	383,810
Inventories		4,241	3,471
Trade and other receivables	12	10,460	11,179
Amount due from an associate	20(b)	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	13	41,722	36,024
Amounts due to related companies	20(b)	13,115	9,120
Taxation payable		25,548	25,548
Bank borrowings – due within one year		29,976	25,537
Convertible notes – liability portion	14	18,680	–
		129,041	96,229
Net current assets		162,489	332,282
Total assets less current liabilities		948,108	1,112,224

	NOTES	31.1.2013 HK\$'000 (unaudited)	31.7.2012 HK\$'000 (audited)
Non-current liabilities			
Loan from an associate	15	10,000	–
Bank borrowings – due after one year		85,183	97,527
Convertible notes – liability portion	14	–	17,782
Deferred tax liabilities		70,099	69,064
		165,282	184,373
Net assets			
		782,826	927,851
Capital and reserves			
Share capital	16	246,783	246,783
Share premium and reserves		535,846	679,408
Equity attributable to owners of the Company		782,629	926,191
Non-controlling interests		197	1,660
Total equity			
		782,826	927,851

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2013

	Attributable to owners of the Company										Non-controlling		
	Share capital	Share premium	Capital reserve	Share options reserve	Capital reduction reserve	Translation reserve	Capital redemption reserve	Convertible notes reserve	Revaluation reserve	Accumulated losses	Total	interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st August, 2011 (audited)	246,783	1,075,873	157	23,542	170,583	33,428	268	3,452	9,200	(518,353)	1,044,933	1,981	1,046,914
Loss for the period	-	-	-	-	-	-	-	-	-	(98,856)	(98,856)	(164)	(99,020)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	4,156	-	-	-	-	4,156	-	4,156
Total comprehensive expense for the period	-	-	-	-	-	4,156	-	-	-	(98,856)	(94,700)	(164)	(94,864)
Balance at 31st January, 2012 (unaudited)	246,783	1,075,873	157	23,542	170,583	37,584	268	3,452	9,200	(617,209)	950,233	1,817	952,050
Balance at 1st August, 2012 (audited)	246,783	1,075,873	157	23,542	170,583	35,011	268	3,452	9,200	(638,678)	926,191	1,660	927,851
Loss for the period	-	-	-	-	-	-	-	-	-	(153,267)	(153,267)	(1,463)	(154,730)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	9,705	-	-	-	-	9,705	-	9,705
Total comprehensive expense for the period	-	-	-	-	-	9,705	-	-	-	(153,267)	(143,562)	(1,463)	(145,025)
Balance at 31st January, 2013 (unaudited)	246,783	1,075,873	157	23,542	170,583	44,716	268	3,452	9,200	(791,945)	782,629	197	782,826

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2013

	Six months ended	
	31.1.2013 HK\$'000 (unaudited)	31.1.2012 HK\$'000 (unaudited)
Net cash from operating activities	2,888	36,886
Net cash used in investing activities		
Proceeds from disposal of property, plant and equipment	736	–
Purchase of property, plant and equipment	(8,750)	(16,522)
(Advance to) repayment from an associate	(367)	187
Dividend received from an associate	–	10
Subscription of convertible bonds	–	(10,000)
Other investing cash flows	375	27
	(8,006)	(26,298)
Net cash used in financing activities		
Loan from an associate	10,000	–
Advance from (repayment to) a related company	3,747	(150)
Repayment of bank borrowings	(11,241)	(8,606)
Interest paid	(4,296)	(3,533)
	(1,790)	(12,289)
Net decrease in cash and cash equivalents	(6,908)	(1,701)
Cash and cash equivalents at beginning of the period	26,041	49,790
Effect of foreign exchange rate changes	335	312
Cash and cash equivalents at end of the period, represented by bank balances and cash	19,468	48,401

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

3. SEGMENT INFORMATION *(Continued)*

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 HK\$'000	Financial investment HK\$'000	Property HK\$'000	Total HK\$'000
Gross proceeds	74,862	–	284	75,146
Segment revenue	74,862	–	284	75,146
Segment (loss) profit	(9,013)	4,065	(134,421)	(139,369)
Unallocated income				726
Unallocated expenses				(8,897)
Share of loss of an associate				(2,823)
Finance costs				(5,194)
Loss before taxation				(155,557)

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 loss of an associate				(7,575)
Finance costs				(5,262)
Loss before taxation				(100,307)

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.

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, 2013

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

For the six months ended 31st January, 2012

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

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
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
	3,178	(7,572)

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	–
	5,194	5,262

6. INCOME TAX CREDIT

	Six months ended	
	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
Tax credit comprises:		
Deferred taxation	827	1,287

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)	(726)	(780)

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. INVESTMENT PROPERTIES

The fair values of the Group's investment properties at 31st January, 2013 were arrived at on the basis of a valuation carried out on that day by American Appraisal China Limited, independent professional qualified valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The resulting increase in fair value of investment properties of HK\$1,600,000 was recognised in profit or loss for the six months ended 31st January, 2013 (six months ended 31st January, 2012: increase in fair value of HK\$320,000).

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for a cash consideration of HK\$8,750,000 (six months ended 31st January, 2012: HK\$16,522,000).

11. PROPERTIES FOR DEVELOPMENT

Properties for development represent leasehold land located in Macau and Mainland China amounting to HK\$91,700,000 (31st July, 2012: HK\$227,200,000) and HK\$161,187,000 (31st July, 2012: HK\$156,610,000), respectively, for development and future sale in the ordinary course of business. Cost comprises costs of land use rights under medium-term lease and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. No finance cost on development has been capitalised. Properties for development are stated at the lower of cost and net realisable value.

For the properties for development in Macau, 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. During the current interim period, the Group further revised the plan from developing semi-detached houses and related facilities with a total gross floor area of approximately 16,700 squares 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. Impairment loss of HK\$135,500,000 was recognised on the properties for development as a result of the further revised plan with reduced gross floor area, which then decreases the net realisable value of the properties for development in Macau.

The net realisable value of the properties for development in Macau at 31st January, 2013 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 date 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.

The Group has not commenced construction activities on the land in Macau held for development purpose. Although the timing of the approval by the relevant authorities in Macau is not certain and the construction is not scheduled to be completed in a year, the Group will commence the development once approval from the relevant authorities is obtained.

The Group has not commenced construction activities on the land in Mainland China for development purpose. The Group is in the process of applying various approvals for the construction of new residential buildings for sale from the relevant authorities in Mainland China and will commence the development once the approvals from the relevant authorities are obtained.

12. 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	31.7.2012
	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

13. TRADE AND OTHER PAYABLES

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

	31.1.2013	31.7.2012
	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

14. CONVERTIBLE NOTES

On 8th November, 2010, the Company issued an aggregate principal amount of HK\$135,000,000 unsecured convertible notes which bear interest at 4% per annum, payable semi-annually in arrears, and will mature on 8th November, 2013.

The convertible notes contain two components, liability (together with embedded derivative for early redemption right of the Company which is closely related to the host debt) and equity elements. The equity element is presented in equity under the heading of "convertible notes reserve". The effective interest rate of the liability component of the convertible notes is 11.58% at the date of initial recognition.

During the six months ended 31st January, 2013, no convertible notes were converted into shares in the Company.

The movement of the liability component of the convertible notes is as follows:

	HK\$'000
Carrying amount at 1st August, 2012	17,782
Interest charge	1,301
Interest paid	(403)
<u>Carrying amount at 31st January, 2013</u>	<u>18,680</u>

15. LOAN FROM AN ASSOCIATE

The loan is unsecured. It carries interest at prime rate quoted by a bank in Macau minus 2.75% per annum and is repayable on or before 31st December, 2016. The associate is controlled by Mr. Sio Tak Hong, a director and a substantial shareholder of the Company with significant influence over the Company.

16. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1st August, 2011, 31st January, 2012,		
1st August, 2012 and 31st January, 2013	20,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2011, 31st January, 2012,		
1st August, 2012 and 31st January, 2013	2,467,834,129	246,783

17. SHARE-BASED PAYMENT TRANSACTIONS

The Company had a share option scheme adopted on 30th December, 2002 (the "2002 Scheme") for eligible participants, including directors and employees of the Company and its subsidiaries. The 2002 Scheme shall expire on 30th December, 2012 but was terminated at the annual general meeting held on 7th December, 2012 when an ordinary resolution was passed to approve adoption of a new share option scheme (the "2012 Scheme"). The 2012 Scheme will expire on 6th December, 2022. The maximum number of shares of the Company to be issued upon the exercise of any option that may be granted under the 2012 Scheme and any other share option schemes of the Company is 246,783,412 shares, representing 10% of the total number of shares in issue as at the date of approval of adoption of the 2012 Scheme. Further details of the 2012 Scheme are set out in the circular of the Company dated 5th November, 2012.

No share option was granted or remained outstanding under the 2002 Scheme in both periods.

No share option was granted or remained outstanding under the 2012 Scheme since its adoption on 7th December, 2012.

18. PLEDGE OF ASSETS

At 31st January, 2013, hotel properties of HK\$331,674,000 (31st July, 2012: HK\$328,507,000) of the Group were pledged to secure bank borrowings. Bank deposit of HK\$641,000 (31st July, 2012: HK\$641,000) of the Group was pledged to banks to secure short-term credit facilities to the extent of HK\$600,000 (31st July, 2012: HK\$600,000) granted to the Group, of which HK\$6,000 (31st July, 2012: HK\$7,000) was utilised by the Group.

19. COMMITMENTS

	31.1.2013	31.7.2012
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	343	6,928

In addition, the Group also had committed expenditure for its properties for development amounting to HK\$5,155,000 (31st July, 2012: HK\$4,169,000).

20. 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	
	31.1.2013	31.1.2012
	HK\$'000	HK\$'000
Short-term benefits	2,338	1,750
Post-employment benefits	8	6
	2,346	1,756

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.

20. RELATED PARTY DISCLOSURES *(Continued)*

(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.

The amounts due to related companies are unsecured, non-interest bearing and repayable on demand. They are non-trade in nature. Mr. Sio Tak Hong has beneficial interests in these related companies.

(c) Details of other transactions and balances with an associate are set out in notes 5 and 15, respectively.

21. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the current interim period, the Company entered into two sale and purchase agreements to dispose of an aggregate of 25% equity interest in a subsidiary, Hotel Fortuna (Hong Kong) Company Limited ("Hotel Fortuna (HK)"), and 25% of the interest free shareholder's loan owing as at completion of the two sale and purchase agreements by Hotel Fortuna (HK) to the Company for an aggregate cash consideration of HK\$150,000,000. The principal asset of Hotel Fortuna (HK) is a wholly owned subsidiary established in the People's Republic of China engaging in hotel operations and property development.

The entire issued share capital of each of the purchasers is held by an individual. Each of these two individuals is also a director of certain subsidiaries of the Company, including the wholly owned subsidiary of Hotel Fortuna (HK). As such, each of the purchasers is an associate of a connected person of the Company as defined in the Listing Rules.

The proposed disposal is subject to approval at the extraordinary general meeting of the Company to be held on 8th April, 2013. Further details of the proposed disposal are set out in the announcement of the Company dated 28th February, 2013 and the circular of the Company dated 18th March, 2013.

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.

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, 2013, 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 HK\$0.1 each 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)	Corporated interest (interest of controlled corporation)		
Sio Tak Hong ("Mr. Sio")	-	24,491,000	861,075,000 (Note 1)	885,566,000	35.9%
Chu Nin Yiu, Stephen ("Mr. Chu")	23,700,000	-	333,447,400 (Note 2)	357,147,400	14.5%
Lau Chi Kan, Michael	7,500	-	-	7,500	0.0%

Notes:

- Mr. Sio was deemed to be interested in the 861,075,000 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 333,447,400 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	-	-	1,350 (Note 1)	1,350	67.5%
Mr. Chu	Tin Fok Holding Company Limited	-	-	250 (Note 2)	250	12.5%

Notes:

1. Mr. Sio was deemed to be interested in the 1,350 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 250 shares were held through Macro Rich Limited, which is in turn 60% owned by Global Master Management Limited.
2. Mr. Chu was deemed to be interested in the 250 shares in the associated corporation held through Macro Rich Limited, which is in turn 40% 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, 2013.

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, 2013, 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 HK\$0.1 each 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)	Corporated interest (interest of controlled corporation)		
Fullkeen	861,075,000	-	-	861,075,000	34.9%
Mr. Sio	-	24,491,000	861,075,000 (Note 1)	885,566,000	35.9%
Supervalue	333,447,400	-	-	333,447,400	13.5%
Mr. Chu	23,700,000	-	333,447,400 (Note 2)	357,147,400	14.5%

Notes:

1. Mr. Sio was deemed to be interested in the 861,075,000 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 333,447,400 shares in the Company held through Supervalue, 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, 2013.

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.