



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

Interim Report
2013/2014



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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 21, which comprise the condensed consolidated statement of financial position as of 31st January, 2014 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, 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2014

	NOTES	Six months ended	
		31.1.2014 HK\$'000 (unaudited)	31.1.2013 HK\$'000 (unaudited)
Revenue	3	71,780	75,146
Direct operating costs		(47,806)	(46,553)
Gross profit		23,974	28,593
Other gains and losses	4	2,836	3,092
Other income		1,593	1,969
Marketing expenses		(1,125)	(1,343)
Administrative expenses		(34,279)	(29,884)
Other hotel operating expenses		(13,921)	(16,067)
Impairment loss recognised on write-down of properties for development	11	(50,700)	(135,500)
Increase in fair value of investment properties		-	1,600
Share of profit (loss) of an associate		1,438	(2,823)
Finance costs	5	(3,600)	(5,194)
Loss before taxation		(73,784)	(155,557)
Income tax credit	6	692	827
Loss for the period	7	(73,092)	(154,730)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		6,758	9,705
Total comprehensive expense for the period		(66,334)	(145,025)
Loss for the period attributable to:			
Owners of the Company		(68,235)	(153,267)
Non-controlling interests		(4,857)	(1,463)
		(73,092)	(154,730)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(63,182)	(143,562)
Non-controlling interests		(3,152)	(1,463)
		(66,334)	(145,025)
Loss per share	8		
Basic and diluted – HK cents		(2.76)	(6.21)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2014

	NOTES	31.1.2014 HK\$'000 (unaudited)	31.7.2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	393,344	400,761
Prepaid lease payments		2,849	2,867
Premium on prepaid lease payments		43,518	43,732
Interest in an associate		210,129	208,691
Available-for-sale investments		63,738	63,738
Convertible bond	10	–	7,907
Derivative component in convertible bond	10	–	6,959
		713,578	734,655
Current assets			
Properties for development	11	266,183	284,416
Inventories		5,158	3,785
Trade and other receivables	12	9,692	9,080
Amount due from an associate	20(b)	4,768	4,322
Prepaid lease payments		108	104
Investments held for trading		67,891	50,207
Pledged bank deposit		641	641
Bank balances and cash		62,770	115,493
		417,211	468,048
Current liabilities			
Trade and other payables	13	27,986	29,349
Amounts due to related parties	20(b)	178,402	158,129
Taxation payable		25,548	25,548
Bank borrowings – due within one year		96,494	101,596
Convertible notes – liability portion	14	–	19,628
		328,430	334,250
Net current assets		88,781	133,798
Total assets less current liabilities		802,359	868,453

	NOTE	31.1.2014 HK\$'000 (unaudited)	31.7.2013 HK\$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		70,602	70,362
Net assets			
		731,757	798,091
Capital and reserves			
Share capital	15	246,783	246,783
Share premium and reserves		514,795	577,977
Equity attributable to owners of the Company		761,578	824,760
Non-controlling interests		(29,821)	(26,669)
Total equity		731,757	798,091

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2014

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Attributable to owners of the Company					Convertible notes HK\$'000	Revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
				Share option reserve HK\$'000	Capital reduction reserve HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000							
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 differences arising on translation of foreign operations	-	-	-	-	-	9,705	-	-	-	-	9,705	-	9,705	
Total comprehensive income (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	
Balance at 1st August, 2013 (audited)	246,783	1,075,873	157	23,542	170,583	38,423	268	3,452	9,200	(743,521)	824,760	(26,668)	798,091	
Loss for the period	-	-	-	-	-	-	-	-	-	(68,235)	(68,235)	(4,857)	(73,092)	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	5,053	-	-	-	-	5,053	1,705	6,758	
Total comprehensive income (expense) for the period	-	-	-	-	-	5,053	-	-	-	(68,235)	(63,182)	(3,152)	(68,334)	
Transfer to accumulated losses upon maturity of convertible notes	-	-	-	-	-	-	-	(3,452)	-	3,452	-	-	-	
Balance at 31st January, 2014 (unaudited)	246,783	1,075,873	157	23,542	170,583	43,476	268	-	9,200	(808,304)	761,578	(29,821)	731,757	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2014

	Six months ended	
	31.1.2014 HK\$'000 (unaudited)	31.1.2013 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(42,378)	2,888
Net cash used in investing activities		
Interest received	499	375
Proceeds from disposal of property, plant and equipment	340	736
Purchase of property, plant and equipment	(1,613)	(8,750)
Advance to an associate	(389)	(367)
	(1,163)	(8,006)
Net cash used in financing activities		
Advance from related parties	19,896	3,747
New bank borrowings raised	8,954	–
Repayment of convertible notes	(20,000)	–
Repayment of bank borrowings	(15,403)	(11,241)
Interest paid	(3,228)	(4,296)
Loan from an associate	–	10,000
	(9,781)	(1,790)
Net decrease in cash and cash equivalents	(53,322)	(6,908)
Cash and cash equivalents at beginning of the period	115,493	26,041
Effect of foreign exchange rate changes	599	335
Cash and cash equivalents at end of the period, represented by bank balances and cash	62,770	19,468

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31st January, 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st July, 2013.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC) – INT 12 “Consolidation – Special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

In the opinion of the directors, the application of HKFRS 10 has no significant impact to the condensed consolidated financial statements of the Group.

HKFRS 13 “Fair value measurement”

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 17.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 34 “Interim financial reporting” (as part of the annual improvements to HKFRSs 2009 – 2011 cycle)

The Group has applied the amendments to HKAS 34 “Interim financial reporting” as part of the “Annual improvements to HKFRSs 2009 – 2011 cycle” for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the condensed consolidated financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group’s reportable segments for performance assessment and resource allocation purposes, the Group has not included total assets and total liabilities information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the 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	–	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, 2014

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

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)

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain investment income, central administration costs, directors' salaries, share of profit (loss) 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, 2014

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

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 write-down of 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
Gain on disposal of property, plant and equipment	1	-	-	85	86

4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2014 HK\$'000	31.1.2013 HK\$'000
Increase in fair value of investments held for trading	2,423	–
Interest income from investments held for trading	951	–
Dividend income from investments held for trading	160	–
Increase in fair value of derivative component in convertible bond	117	3,092
Realised loss on derivative financial instruments	(815)	–
	2,836	3,092

5. FINANCE COSTS

	Six months ended	
	31.1.2014 HK\$'000	31.1.2013 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	2,824	3,777
Convertible notes	776	1,301
Loan from an associate	–	116
	3,600	5,194

6. INCOME TAX CREDIT

	Six months ended	
	31.1.2014 HK\$'000	31.1.2013 HK\$'000
Tax credit comprises:		
Deferred taxation	692	827

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	
	31.1.2014 HK\$'000	31.1.2013 HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– administrative expenses	1,014	738
– other hotel operating expenses	13,073	15,265
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	848	802
Bank and other interest income	(173)	(52)
Interest income on convertible bond	(1,161)	(975)
Investment income earned from available-for-sale investments (included in other income)	–	(726)

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	
	31.1.2014 HK\$'000	31.1.2013 HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(68,235)	(153,267)
	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. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for a cash consideration of HK\$1,613,000 (six months ended 31st January, 2013: HK\$8,750,000).

10. CONVERTIBLE BOND/DERIVATIVE COMPONENT IN CONVERTIBLE BOND

During the year ended 31st July, 2012, the Group subscribed for a convertible bond issued by a company listed on The Stock Exchange of Hong Kong Limited, with principal amount of HK\$10,000,000 which carries interest at 6.5% per annum payable semi-annually in arrears with maturity on 14th October, 2014 at redemption amount of 100% of the principal amount. The convertible bond can be converted at any time from the date of issue to the maturity date. The fair value at initial recognition of the receivable component and derivative component, which amounted to HK\$5,484,000 and HK\$4,849,000, respectively, are determined based on the valuation provided by Greater China Appraisal Limited, independent professionally qualified valuers not connected with the Group. Subsequent to initial recognition, the receivable component is carried at amortised cost using the effective interest method and the derivative component is carried at fair value.

In the current interim period, the Group exercised the conversion right. As such, the convertible bond is fully converted into 9,090,909 ordinary shares issued by the convertible bond issuer. These ordinary shares are classified as investments held for trading and are stated at fair value at the end of the reporting period.

The Group's convertible bond is recognised as follows:

	Debt component HK\$'000	Derivative component HK\$'000
At 1st August, 2013	7,907	6,959
Accretion of interest	1,161	–
Interest received	(326)	–
Fair value gain recognised in profit or loss	–	117
Conversion	(8,742)	(7,076)
At 31st January, 2014	–	–

11. PROPERTIES FOR DEVELOPMENT

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

	31.1.2014 HK\$'000	31.7.2013 HK\$'000
Macau	56,000	106,700
Mainland China	210,183	177,716
	266,183	284,416

Cost comprises the 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. Impairment loss of HK\$50,700,000 (six months ended 31st January, 2013: impairment loss of HK\$135,500,000) has been recognised in profit or loss on write-down of the properties for development during the current interim period.

11. PROPERTIES FOR DEVELOPMENT *(Continued)*

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 (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 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. At 31st July, 2013, impairment loss of HK\$120,500,000 was recognised on write-down of the properties for development as a result of the further revised plan with reduced gross floor area, which then decreased the net realisable value of the properties for development in Macau. In December 2013, the Macao Special Administrative Region of the People's Republic of China issued a revised policy on the basis of determination for land premium cost. Based on the management's evaluation, the estimated land premium cost for the properties for development in Macau increases, which then decreases the net realisable value of properties for development in Macau. As such, an impairment loss of HK\$50,700,000 was recognised on write-down of the properties for development in Macau during the six months ended 31st January, 2014.

The net realisable value of the properties for development in Macau at 31st January, 2014 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 on the land in Macau held for development purpose. 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, 2014, additions of properties for development in Mainland China amounted to HK\$30,110,000 (six months ended 31st January 2013: HK\$330,000).

12. TRADE AND OTHER RECEIVABLES

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

	31.1.2014 HK\$'000	31.7.2013 HK\$'000
0 to 30 days	1,290	3,448
31 to 60 days	213	104
61 to 90 days	43	42
91 days or above	39	112
	1,585	3,706

13. TRADE AND OTHER PAYABLES

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

	31.1.2014 HK\$'000	31.7.2013 HK\$'000
0 to 30 days	5,525	3,475
31 to 60 days	2,402	3,520
61 to 90 days	850	1,548
91 days or above	484	1,967
	9,261	10,510

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. All convertible notes matured 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, 2014, there is no conversion of convertible notes into shares in the Company until the maturity date.

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

	HK\$'000
Carrying amount at 1st August, 2013	19,628
Interest charge	776
Interest paid	(404)
Settlement upon maturity	(20,000)
Carrying amount at 31st January, 2014	-

Upon maturity of the convertible notes on 8th November, 2013, the balance stated in the convertible notes reserves is released to accumulated losses. No gain or loss is recognised in profit or loss.

15. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1st August, 2012, 31st January, 2013, 1st August, 2013 and 31st January, 2014	20,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2012, 31st January, 2013, 1st August, 2013 and 31st January, 2014	2,467,834,129	246,783

16. 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 should have expired 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 during the six months ended 31st January, 2013 until its termination.

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

17. 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 technique(s) and input(s) used), as well as the level of the fair value hierarchy into which the fair value measurement(s) 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 31st January, 2014 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Listed equity securities	36,613	Level 1	Quoted bid prices in active market
Listed debt securities	31,278	Level 1	Quoted bid prices in active market
	67,891		

There were no transfers between Levels 1, 2 and 3 in the current interim period.

18. PLEDGE OF ASSETS

At 31st January, 2014, hotel properties of HK\$329,163,000 (31st July, 2013: HK\$330,698,000) of the Group were pledged to secure bank borrowings. Bank deposit of HK\$641,000 (31st July, 2013: 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, 2013: HK\$600,000) granted to the Group, HK\$5,000 (31st July, 2013: HK\$6,000) of which was utilised by the Group.

19. COMMITMENTS

	31.1.2014 HK\$'000	31.7.2013 HK\$'000
Contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	97	215
– properties for development	128,554	67,762
	128,651	67,977

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	
	31.1.2014 HK\$'000	31.1.2013 HK\$'000
Short-term benefits	3,196	2,338
Post-employment benefits	8	8
	3,204	2,346

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 and repayable on demand. They are non-trade in nature. The related parties include non-controlling shareholders and a director of certain subsidiaries of the Company.

(c) Details of other transactions with an associate are set out in note 5.

INTERIM DIVIDEND

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported revenue of approximately HK\$71.8 million for the six months ended 31st January, 2014, which comprised mainly income from hotel operations, as compared to HK\$75.1 million for the same period last year.

Net loss attributable to owners of the Company for the six months ended 31st January, 2014 was HK\$68.2 million, as compared to the net loss of HK\$153.3 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\$50.7 million (six months ended 31st January, 2013: HK\$135.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2014, the Group had bank balances and cash of HK\$63.4 million (31st July, 2013: HK\$116.1 million) mainly in Hong Kong dollars and marketable securities totalling HK\$67.9 million (31st July, 2013: HK\$50.2 million).

Total bank borrowings (other than corporate credit card payable classified as “other payable”) were HK\$96.5 million at 31st January, 2014 (31st July, 2013: HK\$101.6 million). The bank borrowings were mainly denominated in Renminbi, repayable within one year and carried interest on a floating rate basis.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ fund, was 52.4% at 31st January, 2014 (31st July, 2013: 49.1%).

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, 2014, 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 2013 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 5,000 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 Imobiliario 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.

Hotel operation

After the partial disposal of 25% in April 2013, the Group maintains a 75% effective interest in Hotel Fortuna, Foshan, through an indirectly held subsidiary, Foshan Fortuna Hotel Company Limited. The hotel is located at Le Cong Zhen, Shun De District, Foshan, the PRC, and provides over 400 rooms. During the year ended 31st December, 2013, the hotel had a stable occupancy rate of approximately 61.8% and a turnover of approximately HK\$140.2 million in 2013 compared to HK\$140.6 million in 2012.

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\$261.3 million in 2013 compared to HK\$257.2 million in 2012.

PROSPECTS

During the period, the Group has obtained relevant approvals for the construction of high-rise residential buildings and ancillary facilities with a total gross floor area of approximately 86,000 square meters alongside Hotel Fortuna, Foshan. The development has commenced, which will fully utilize the undeveloped permissible plot ratio counted gross floor area of Hotel Fortuna, Foshan and maximize shareholders' return.

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, 2014, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

At 31st January, 2014, hotel properties of HK\$329,163,000 of the Group were pledged to secure bank borrowings of RMB68,200,000 (equivalent to approximately HK\$87,540,000) 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\$5,000 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, 2014, 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	-	-	1,270 (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, 2014.

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, 2014, 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%
Supervalve	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 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, 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2014.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2014 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, 2014.

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

During the six months ended 31st January, 2014, 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, 2014

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.