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CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

INTERIM RESULTS SIX MONTHS ENDED 31ST JANUARY, 2016

The directors of Capital Estate Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2016 together with the comparative figures for the six months ended 31st January, 2015 were as follows:

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

		Six months ended	
		31.1.2016	31.1.2015
	<i>NOTE</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(40,780)	(775)
Non-controlling interests		<u>(2,324)</u>	<u>(1,465)</u>
		<u>(43,104)</u>	<u>(2,240)</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(61,360)	46,269
Non-controlling interests		<u>(9,302)</u>	<u>(2,981)</u>
		<u>(70,662)</u>	<u>43,288</u>
			(Restated)
Loss per share			
Basic – HK cents	8	<u>(1.10)</u>	<u>(0.03)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST JANUARY, 2016

	<i>NOTES</i>	31.1.2016 HK\$'000 (unaudited)	31.7.2015 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		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		428,149	373,061
Inventories		3,074	3,065
Trade and other receivables	<i>9</i>	7,477	6,816
Amount due from an associate		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	<i>10</i>	28,284	27,741
Amounts due to related parties		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

	31.1.2016 <i>HK\$'000</i> (unaudited)	31.7.2015 <i>HK\$'000</i> (audited)
Non-current liabilities		
Amount due to a director	50,000	50,000
Deferred tax liabilities	62,967	66,760
	<u>112,967</u>	<u>116,760</u>
Net assets	<u>830,434</u>	<u>901,096</u>
Capital and reserves		
Share capital	1,504,752	1,504,752
Reserves	(622,695)	(561,335)
	<u>882,057</u>	<u>943,417</u>
Equity attributable to owners of the Company	882,057	943,417
Non-controlling interests	(51,623)	(42,321)
	<u>830,434</u>	<u>901,096</u>
Total equity	<u>830,434</u>	<u>901,096</u>

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.

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

Six months ended 31st January, 2015

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

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.

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 <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Depreciation	(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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the six months ended 31st January, 2015

	Hotel operations <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Depreciation	(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)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4. OTHER GAINS AND LOSSES

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

5. FINANCE COSTS

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

6. INCOME TAX CREDIT

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

No provision for Hong Kong Profits Tax and Enterprise Income Tax in the People's Republic of China has been made for both periods as the Company and its subsidiaries either did not generate any assessable profits for the periods or have available tax losses brought forward to offset against any assessable profits generated during the periods.

7. LOSS FOR THE PERIOD

Six months ended	
31.1.2016	31.1.2015
HK\$'000	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)
	<u> </u>	<u> </u>

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	31.1.2015
HK\$'000	HK\$'000

Loss for the period attributable to owners of the Company
for the purposes of basic loss per share

<u>(40,780)</u>	<u>(775)</u>
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Number of shares	Number of shares (Restated)
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Weighted average number of ordinary shares for the purposes of
basic loss per share

<u>3,701,751,193</u>	<u>2,961,400,955</u>
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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. 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 <i>HK\$'000</i>	31.7.2015 <i>HK\$'000</i>
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
	<hr/>	<hr/>
	2,639	3,121
	<hr/> <hr/>	<hr/> <hr/>

10. TRADE AND OTHER PAYABLES

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

	31.1.2016 <i>HK\$'000</i>	31.7.2015 <i>HK\$'000</i>
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
	<hr/>	<hr/>
	8,520	6,564
	<hr/> <hr/>	<hr/> <hr/>

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.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2015.

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.

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

Hong Kong, 24 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.