



CAPITAL ESTATE LIMITED  
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193



Interim Report  
**2014/2015**

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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



### TO THE BOARD OF DIRECTORS OF CAPITAL ESTATE LIMITED

冠中地產有限公司

*(incorporated in Hong Kong with limited liability)*

### Introduction

We have reviewed the condensed consolidated financial statements of Capital Estate Limited (the "Company") and its subsidiaries set out on pages 4 to 16, which comprise the condensed consolidated statement of financial position as of 31st January, 2015 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

25th March, 2015

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2015

	NOTES	Six months ended	
		31.1.2015 HK\$'000 (unaudited)	31.1.2014 HK\$'000 (unaudited)
Revenue	3	64,238	71,780
Direct operating costs		(37,124)	(47,806)
Gross profit		27,114	23,974
Other gains and losses	4	9,512	2,836
Other income		1,022	1,593
Marketing expenses		(944)	(1,125)
Administrative expenses		(29,870)	(34,279)
Other hotel operating expenses		(13,451)	(13,921)
Impairment loss recognised on write-down of properties for/under development	10	-	(50,700)
Share of profit of an associate		4,205	1,438
Finance costs	5	(68)	(3,600)
Loss before taxation		(2,480)	(73,784)
Income tax credit	6	240	692
Loss for the period	7	(2,240)	(73,092)
<b>Other comprehensive income (expense)</b>			
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		(5,982)	6,758
Other comprehensive income for the year		45,528	6,758
Total comprehensive income (expense) for the period		43,288	(66,334)
Loss for the period attributable to:			
Owners of the Company		(775)	(68,235)
Non-controlling interests		(1,465)	(4,857)
		(2,240)	(73,092)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		46,269	(63,182)
Non-controlling interests		(2,981)	(3,152)
		43,288	(66,334)
Loss per share	8		
Basic and diluted – HK cents		(0.03)	(2.76)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2015

	NOTES	31.1.2015 HK\$'000 (unaudited)	31.7.2014 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	354,602	372,301
Prepaid lease payments		2,646	2,735
Premium on prepaid lease payments		40,473	41,773
Interest in an associate		268,028	212,313
Available-for-sale investments		63,738	63,738
		<b>729,487</b>	692,860
<b>Current assets</b>			
Properties for/under development	10	309,493	288,358
Inventories		3,064	3,105
Trade and other receivables	11	16,945	8,404
Amount due from an associate	18(b)	6,748	5,597
Prepaid lease payments		104	103
Investments held for trading		47,111	61,978
Pledged bank deposit		642	642
Bank balances and cash		32,797	42,641
		<b>416,904</b>	410,828
<b>Current liabilities</b>			
Trade and other payables	12	23,787	26,852
Amounts due to related parties	18(b)	270,253	265,796
Bank and other borrowings		11,147	12,010
		<b>305,187</b>	304,658
<b>Net current assets</b>		<b>111,717</b>	106,170
<b>Total assets less current liabilities</b>		<b>841,204</b>	799,030
<b>Non-current liabilities</b>			
Deferred tax liabilities		67,330	68,444
<b>Net assets</b>		<b>773,874</b>	730,586
<b>Capital and reserves</b>			
Share capital	13	1,322,924	1,322,924
Reserves		(510,576)	(556,845)
Equity attributable to owners of the Company		812,348	766,079
Non-controlling interests		(38,474)	(35,493)
<b>Total equity</b>		<b>773,874</b>	730,586

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2015

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Attributable to owners of the Company					Convertible notes reserve 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, 2013 (audited)	246,783	1,075,873	157	23,542	170,583	38,423	268	3,452	9,200	(743,621)	824,760	(26,669)	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)	(66,334)	
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	
Balance at 1st August, 2014 (audited)	1,322,924	-	157	23,542	170,583	35,263	-	-	9,200	(795,590)	766,079	(35,493)	730,586	
Loss for the period	-	-	-	-	-	-	-	-	-	(775)	(775)	(1,465)	(2,240)	
Share of property revaluation reserve of an associate	-	-	-	-	-	-	-	-	51,510	-	51,510	-	51,510	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(4,466)	-	-	-	-	(4,466)	(1,516)	(5,982)	
Total comprehensive (expense) income for the period	-	-	-	-	-	(4,466)	-	-	51,510	(775)	46,269	(2,981)	43,288	
Balance at 31st January, 2015 (unaudited)	1,322,924	-	157	23,542	170,583	30,797	-	-	60,710	(796,365)	812,348	(38,474)	773,874	

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2015

	Six months ended	
	31.1.2015 HK\$'000 (unaudited)	31.1.2014 HK\$'000 (unaudited)
<b>Net cash used in operating activities</b>	<b>(13,321)</b>	(42,378)
<b>Net cash used in investing activities</b>		
Proceeds from disposal of property, plant and equipment	50	340
Interest received	15	499
Advance to an associate	(1,222)	(389)
Purchase of property, plant and equipment	(192)	(1,613)
	<b>(1,349)</b>	(1,163)
<b>Net cash from (used in) financing activities</b>		
Advance from related parties	6,195	19,896
Repayment of bank borrowings	(863)	(15,403)
Interest paid	(68)	(3,228)
New bank borrowings raised	-	8,954
Repayment of convertible notes	-	(20,000)
	<b>5,264</b>	(9,781)
<b>Net decrease in cash and cash equivalents</b>	<b>(9,406)</b>	(53,322)
<b>Cash and cash equivalents at beginning of the period</b>	<b>42,641</b>	115,493
<b>Effect of foreign exchange rate changes</b>	<b>(438)</b>	599
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>32,797</b>	62,770

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2015

## 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, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st July, 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and a new Interpretation 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 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The application of the amendments to HKFRSs and the new Interpretation 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 reportable and operating segments, based on information reported to the chief operating decision maker (“CODM”), being the executive directors of the Company, for the purpose of resource allocation and performance assessment are as follows:

Hotel operations	–	hotel business and its related services
Financial investment	–	trading of listed securities and other financial instruments
Property	–	sale of properties held for sale and property for/under development

Information regarding these segments is reported below.

### 3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

#### Six months ended 31st January, 2015

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

#### 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)

Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of central administration costs, directors' salaries, share of profit 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, 2015

	Hotel operations HK\$'000	Financial investment HK\$'000	Property HK\$'000	Unallocated HK\$'000	Segment total HK\$'000
Depreciation	(12,632)	-	-	(582)	(13,214)
Interest income	15	-	-	-	15
Interest income from investments held for trading	-	1,051	-	-	1,051
Loss on disposal of property, plant and equipment	(24)	-	-	-	(24)

#### 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/under 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

#### 4. OTHER GAINS AND LOSSES

	Six months ended	
	31.1.2015 HK\$'000	31.1.2014 HK\$'000
Dividend income from investments held for trading	-	160
Increase in fair value of derivative component in convertible bond	-	117
Increase in fair value of investments held for trading	8,461	2,423
Interest income from investments held for trading	1,051	951
Realised loss on derivative financial instruments	-	(815)
	<b>9,512</b>	<b>2,836</b>

#### 5. FINANCE COSTS

	Six months ended	
	31.1.2015 HK\$'000	31.1.2014 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	68	2,824
Convertible notes	-	776
	<b>68</b>	<b>3,600</b>

#### 6. INCOME TAX CREDIT

	Six months ended	
	31.1.2015 HK\$'000	31.1.2014 HK\$'000
Tax credit comprises:		
Deferred taxation	240	692

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	
	31.1.2015 HK\$'000	31.1.2014 HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation included in:		
– administrative expenses	582	1,014
– other hotel operating expenses	12,632	13,073
Release of prepaid lease payments and premium on prepaid lease payments (included in other hotel operating expenses)	819	848
Bank and other interest income	(15)	(173)
Interest income on convertible bond	–	(1,161)

## 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	
	31.1.2015 HK\$'000	31.1.2014 HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(775)	(68,235)
	<b>Number of shares</b>	<b>Number of shares</b>
Number of ordinary shares for the purposes of basic and diluted loss per share	2,467,834,129	2,467,834,129

No diluted loss per share is presented for the six months ended 31st January, 2015 as the Group did not have any potential ordinary shares.

The computation of diluted loss per share for the six months ended 31st January, 2014 did 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\$192,000 (six months ended 31st January, 2014: HK\$1,613,000).

## 10. PROPERTIES FOR/UNDER DEVELOPMENT

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

	31.1.2015 HK\$'000	31.7.2014 HK\$'000
Macau	60,000	60,000
Mainland China	249,493	228,358
	<b>309,493</b>	<b>288,358</b>

Cost comprises the costs of land use rights under medium-term lease, other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development and property development costs. No finance cost on development has been capitalised. Properties for/under development are stated at the lower of cost and net realisable value. During the six months ended 31st January, 2014, an impairment loss of HK\$50,700,000 (six months ended 31st January, 2015: nil) was recognised in profit or loss on write-down of the properties for/under development.

For the properties for development in Macau (the "Macau Properties"), the Group is awaiting government approval for the proposed development to commence construction activities. During the year ended 31st July, 2012, the Group made a modification to the original development plan according to the requirements of the relevant authorities in Macau (Direccao dos Servicos de Solos, Obras Publicas e Transportes ("DSSOPT")). During the year ended 31st July, 2013, the Group further revised the plan from developing semi-detached houses and related facilities with a total gross floor area of approximately 16,700 square metres to a low-density development of luxury villas and related facilities with a total gross floor area of approximately 4,400 square metres in order to procure the approval for early commencement of the residential development. At 31st July, 2014, cumulative impairment loss of HK\$241,233,000 was recognised on write-down of the Macau Properties. Based on the management's evaluation as at 31st January, 2015, no impairment indicator is identified which may deteriorate the net realisable value of the Macau Properties. Accordingly, no further impairment on Macau Properties is recognised in the current interim period.

The net realisable value of the Macau Properties at 31st January, 2015 was arrived at using valuation of the leasehold land less the estimated land premium costs in relation to the current development plan. The valuation of the leasehold land was carried out on that day by American Appraisal China Limited, independent professionally qualified valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar parcels of leasehold land with adjustments for factor such as differences in scale of development, development density, location, type of development and time periods.

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

In October 2013, the Group obtained approvals from the relevant authorities in Mainland China for the construction of new residential buildings for sale and the construction activities started. During the six months ended 31st January, 2015, additions of properties under development in Mainland China amounted to HK\$24,050,000 (six months ended 31st January 2014: HK\$30,110,000).

## 11. 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.

	31.1.2015 HK\$'000	31.7.2014 HK\$'000
0 to 30 days	3,664	2,873
31 to 60 days	100	73
61 to 90 days	78	26
91 days or above	41	107
	<b>3,883</b>	<b>3,079</b>

## 12. TRADE AND OTHER PAYABLES

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

	31.1.2015 HK\$'000	31.7.2014 HK\$'000
0 to 30 days	3,855	3,162
31 to 60 days	1,084	1,667
61 to 90 days	90	923
91 days or above	4	898
	<b>5,033</b>	<b>6,650</b>

## 13. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At 1st August, 2013 and 31st January, 2014		
– Ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000
At 1st August, 2014 and 31st January, 2015 (Note)	N/A	N/A
Issued and fully paid:		
At 1st August, 2013 and 31st January, 2014		
– Ordinary shares of HK\$0.1 each	2,467,834,129	246,783
Transfer from share premium and capital redemption reserve upon abolition of par value	–	1,076,141
At 31st July, 2014, 1st August, 2014 and 31st January, 2015		
– Ordinary shares with no par value	2,467,834,129	1,322,924

Note: Par value of the Company's shares is retired and the relevant concepts of nominal value, share premium and capital redemption reserve are abolished upon the commencement of the new Hong Kong Companies Ordinance (Cap. 622) on 3rd March, 2014.

## 14. SHARE-BASED PAYMENT TRANSACTIONS

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

No share option was granted or remained outstanding under the scheme during both periods.

## 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- \* Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- \* Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- \* Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.1.2015	31.7.2014		
	HK\$'000	HK\$'000		
Listed equity securities	20,573	33,999	Level 1	Quoted bid prices in active market
Listed debt securities	26,538	27,979	Level 1	Quoted bid prices in active market
	47,111	61,978		

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

## 16. PLEDGE OF ASSETS

At 31st January, 2015, bank deposit of HK\$642,000 (31st July, 2014: HK\$642,000) of the Group was pledged to banks to secure short-term credit facilities to the extent of HK\$600,000 (31st July, 2014: HK\$600,000) granted to the Group, HK\$10,000 (31st July, 2014: HK\$5,000) of which was utilised by the Group.

## 17. COMMITMENTS

	<b>31.1.2015</b> <b>HK\$'000</b>	31.7.2014 HK\$'000
Contracted for but not provided in the condensed consolidated financial statements in respect of – properties for development	<b>223,769</b>	103,650

## 18. RELATED PARTY DISCLOSURES

### (a) Compensation of key management personnel:

The remuneration of directors, who are the key management personnel of the Group, during the period was as follows:

	<b>Six months ended</b>	
	<b>31.1.2015</b> <b>HK\$'000</b>	31.1.2014 HK\$'000
Short-term benefits	<b>3,636</b>	3,196
Post-employment benefits	<b>9</b>	8
	<b>3,645</b>	3,204

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 comprise amounts due to the following parties:

	<b>31.1.2015</b> <b>HK\$'000</b>	31.7.2014 HK\$'000
Non-controlling shareholders of certain subsidiaries of the Company	<b>129,626</b>	129,626
A director of certain subsidiaries of the Company	<b>134,432</b>	136,170
A company controlled by a director of certain subsidiaries of the Company	<b>6,195</b>	–
	<b>270,253</b>	265,796

## **INTERIM DIVIDEND**

The directors do not recommend the payment of any dividends for the six months ended 31st January, 2015.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF THE RESULTS**

The Group reported revenue of approximately HK\$64.2 million for the six months ended 31st January, 2015, which comprised mainly income from hotel operations, as compared to HK\$71.8 million for the same period last year.

Net loss attributable to owners of the Company for the six months ended 31st January, 2015 was HK\$0.8 million, as compared to the net loss of HK\$68.2 million for the same period last year. The loss for the six months ended 31st January, 2014 was mainly attributable to impairment loss recognised on properties for development amounting to HK\$50.7 million.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continued to maintain a liquid position. At 31st January, 2015, the Group had bank balances and cash of HK\$33.4 million (31st July, 2014: HK\$43.3 million) mainly in Hong Kong dollars and marketable securities totalling HK\$47.1 million (31st July, 2014: HK\$62.0 million).

Total bank and other borrowings (other than corporate credit card payable classified as “other payable”) were HK\$11.1 million at 31st January, 2015 (31st July, 2014: HK\$12.0 million). The bank and other borrowings were denominated in Hong Kong dollars and United States dollars, 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 45.9% at 31st January, 2015 (31st July, 2014: 48.7%).

### **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, 2015, 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. 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, 2014, the hotel had a stable occupancy rate of approximately 58.2% and a turnover of approximately HK\$124.7 million in 2014 compared to HK\$140.2 million in 2013.

The Group also holds a 32.5% interest in Hotel Fortuna, Macau through Tin Fok Holding Company Limited, an associated company of the Group. Despite the keen competition in the Macau hotel industry, the hotel maintained a high occupancy rate of approximately 92.5% and recorded a turnover of approximately HK\$283.9 million in 2014 compared to HK\$261.3 million in 2013.

## PROSPECTS

The Group has commenced the planned development of a high-rise residential complex with a total gross floor area of approximately 86,000 square meters alongside Hotel Fortuna, Foshan. The development is expected to fully utilize the undeveloped permissible plot ratio counted gross floor area of Hotel Fortuna, Foshan and maximize shareholders' return.

The Group maintains a healthy financial position and is confident with the business outlook of the property and hospitality sectors in Macau and the PRC. The Group is well equipped for the challenges lying ahead and will continue to capture sound business opportunities which provide growth, capital appreciation and profit to the Group.

## CONTINGENT LIABILITY

At 31st January, 2015, the Group had no significant contingent liabilities.

## PLEDGE OF ASSETS

At 31st January, 2015, bank deposit of HK\$642,000 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\$10,000 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, 2015, the interests of the directors and chief executive and their associates in the shares, and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### LONG POSITIONS

#### (I) The Company

##### *Ordinary shares of the Company*

Name of Director	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	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:

1. 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.
2. 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, 2015.

## 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, 2015, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company:

## LONG POSITIONS

### Ordinary shares of the Company

Name of shareholder	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	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, 2015.

## 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, 2015 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:-

1. 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.

2. Under Code E.1.2, the Chairman of the board of directors (the “Board”) should attend the annual general meeting.

The Chairman of the Board was unable to attend the Company’s annual general meeting which was held on 11th December, 2014 as he had important business engagement.

## 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, 2015.

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

During the six months ended 31st January, 2015, 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, 25th March, 2015

*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.*