



CAPITAL ESTATE LIMITED

冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0193)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2005

The directors of Capital Estate Limited (the “Company”) are pleased to announce that the unaudited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31st January, 2005 together with comparative figures for the previous period are as follows:

For the six months ended 31st January, 2005

		Six months ended	
		31st January	
		2005	2004
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	12,431	14,464
Cost of sales		(1,123)	(1,191)
Direct cost of sales of properties		(8,808)	—
Direct cost on property rental		(777)	(794)
Direct cost on trading securities sold		—	(7,140)
Gross profit		1,723	5,339
Other operating income		2,975	3,764
Administrative expenses		(3,725)	(8,971)
Loss on disposal of investment properties		—	(620)
Unrealised holding gain (loss) on investments in securities		13,140	(41)
Amortization of goodwill arising on acquisition of subsidiaries		(113)	(190)
Profit(loss) from operations	4	14,000	(719)
Finance costs		(193)	(361)
Loss on disposal of subsidiaries		—	(62)
Profit(loss) before taxation		13,807	(1,142)
Taxation	5	—	—

Profit(loss) before minority interests		13,807	(1,142)
Minority interests		<u>(110)</u>	<u>120</u>
Net profit(loss) for the period		<u>13,697</u>	<u>(1,022)</u>
Earnings(loss) per share	6		
— Basic		<u>0.41 cents</u>	<u>(0.05) cents</u>
— Diluted		<u>0.40 cents</u>	<u>(0.04) cents</u>

Notes:

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practices (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31st July, 2004.

3. SEGMENT INFORMATION

Business segments

An analysis of the Group’s turnover and contribution to operating results by business segments is as follows:

For the six months ended 31st January, 2005

	Property rental <i>HK\$’000</i>	Financial investment <i>HK\$’000</i>	Property sale <i>HK\$’000</i>	Estate agency <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
TURNOVER					
External sales	<u>234</u>	<u>—</u>	<u>10,050</u>	<u>2,147</u>	<u>12,431</u>
SEGMENT RESULT	<u>(274)</u>	<u>11,550</u>	<u>2,093</u>	<u>323</u>	13,692
Unallocated corporate income					469
Unallocated corporate expenses					<u>(161)</u>
Profit from operations					<u>14,000</u>

For the six months ended 31st January, 2004

	Property rental <i>HK\$'000</i>	Financial investment <i>HK\$'000</i>	Property sale <i>HK\$'000</i>	Estate agency <i>HK\$'000</i>	Sale of silk products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER						
External sales	455	7,645	—	—	6,364	14,464
SEGMENT RESULT	(507)	542	3,501	—	(400)	3,136
Unallocated corporate expenses						(3,855)
Loss from operations						(719)

4. PROFIT (LOSS) FROM OPERATIONS

Profit (loss) from operations for the six months ended 31st January, 2005 has been arrived at after charging depreciation of HK\$24,000 (six month ended 31st January, 2004: HK\$2,000) in respect of the Group's property, plant and equipment.

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the period.

6. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Six months ended 31st January	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings (loss) for the purpose of basic earnings (loss) per share	13,697	(1,022)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	12	47
Earnings (loss) for the purpose of diluted earnings (loss) per share	13,709	(975)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	3,334,072,581	2,082,757,364
Effect of dilutive potential ordinary shares:		
Convertible notes	131,250,000	233,423,913
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	3,465,322,581	2,316,181,277

INTERIM DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 31st January, 2005 (six months ended 31st January, 2004: Nil).

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$12.4 million for the six months ended 31st January, 2005, representing a decrease of 14.5% from approximately HK\$14.5 million for the corresponding period in the last year. The decrease in turnover was mainly due to the decrease in sales generated from financial investment of approximately HK\$7.6 million and sale of silk products of approximately HK\$6.4 million. The decrease in turnover was partly offset by the increase in turnover generated from sale of property of approximately HK\$10 million. The Group recorded a net profit of approximately HK\$13.7 million for the six months ended 31st January, 2005 compared to a net loss of approximately HK\$1 million in the last period. The improvement was mainly derived from the unrealized holding gain on investment in securities of approximately HK\$13.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

The cash balance of the Group increased by 93% from approximately HK\$24.3 million at 31st July, 2004 to approximately HK\$46.9 million at 31st January, 2005, but the net working capital increased by 34.3% from approximately HK\$88.1 million at 31st July, 2004 to approximately HK\$118.3 million at 31st January, 2005.

The Group's short-term bank borrowing has been decreased from approximately HK\$1.2 million as at 31st July, 2004 to approximately HK\$1 million as at 31st January, 2005, and long-term bank borrowing has been decreased from approximately HK\$8.3 million as at 31st July, 2004 to approximately HK\$7.7 million as at 31st January, 2005. As a result, the Group's total bank borrowings has been decreased from approximately HK\$9.5 million as at 31st July, 2004 to approximately HK\$8.7 million as at 31st January, 2005, and the total debt-to-equity ratio was decreased to 12.5% at 31st January, 2005. (At 31st July, 2004: 19.6%). All bank borrowings were denominated in HK dollars and were on a floating rate basis at Hong Kong best lending rates. The maturity profile spread over a period of 8 years with approximately HK\$1 million repayable within one year, HK\$5.5 million repayable between one to five years, and HK\$2.2 million over five years.

EXCHANGE RATE EXPOSURE

Except for certain properties held for sale in Japan, all assets, liabilities and transactions of the Group are denominated in Hong Kong dollars. The fluctuation of foreign currencies did not have a significant impact on the performance of the Group.

BUSINESS REVIEW

The period under review saw the continuing improvement in the local economy in light of the recent surges in local property prices and transaction volume, and the continuing benefit to the retail sectors brought about by increasing number of mainland visitors traveling under individual travel permits granted by PRC local provinces. Aided by such economic improvement, the Group has successfully managed to turnaround its financial performance, and a net profit of approximately HK\$13.7 million was recorded, compared to a net loss of HK\$1 million for the same period last year.

Property investment and development

The Group's corporate strategy is to focus primarily on its core businesses of financial investment, property investment, development, estate agency and related undertakings. As for property investment, following the Group's previous efforts in realizing certain property investments so as to maximize the Group's return on investment, the Group has successfully disposed of a prime commercial unit acquired in January, 2004 and thereby generating a profit of approximately HK\$1.36 million.

Further, the Group has been actively seeking out other investment opportunities in the property sector in general, both in Hong Kong and Macau. To this end, various potential property investments were looked into, however so far none of them have met the Group's stringent investment criteria in terms of risk and return. Nevertheless, the Group will continue to seek out and, if thought fit, capture any appropriate investment opportunities which may arise in these areas.

As for the businesses carried on by the Group's subsidiary, Century 21 Hong Kong Limited ("Century 21"), namely those of franchising estate agency work, real estate project management and related undertakings, they have remained stable during the period under review, with the number of franchisees of the "Century 21" name growing from 70 as at 1st August, 2004 to 110 currently with 4 franchisee shops in Macau.

Prospects

Aided by the high level of activity and investors' interests in the local equity market, the Group has successfully managed to raise approximately HK\$52.4 million via the issuance and placement of new shares and redeemable convertible notes in the Company during the period under review, and thereby significantly strengthening the Group's financial standing and flexibility in making appropriate investments.

In light of the continuing improvement in the economy and in the property market in particular, both in Hong Kong and Macau, the Group intends to make good use of its strengthened financial resources in focusing on its core business of property investment, development and related undertakings. Further, the Group continues to believe that the businesses operated by Century 21, together with its brand name, franchise network and management's experience in the property market, would greatly enhance business opportunities available to the Group and in furtherance of its development in property related undertakings and thus in strengthening the Group's revenue and income base.

CONTINGENT LIABILITIES

At 31st January, 2005, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary amounting to HK\$ HK\$8,087,000 (31st July, 2004: HK\$8,525,000).

PLEDGE OF ASSETS

At 31st January, 2005, certain investment properties of the Group amounting to approximately HK\$17,780,000 (at 31st July, 2004: HK\$17,780,000) had been pledged to banks to secure credit facilities to the extent of HK\$10,750,000 (at 31st July, 2004: HK\$10,750,000) granted to the Group of which approximately HK\$ 8,692,000 (at 31st July, 2004: HK\$9,163,000) was utilised by the Group.

EMPLOYEE

The Group offers its employees competitive remuneration packages.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31st January, 2005.

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

During the six months ended 31st January, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 31st January, 2005, in compliance with the Code of Best Practice stipulated in Appendix 14 to the Listing Rules except that independent non-executive directors are not appointed for a specific term as they are subject to rotation at annual general meetings in accordance with Article 94 and 103(A) of the Company's Articles of Association.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Ma Wai Man, Catherine
Company Secretary

Hong Kong, 20th April, 2005

As at the date hereof, the board of directors of the Company is comprised of seven directors, of whom four are executive directors, namely, Dato' Choo Yeow Ming (Executive Chairman), Mr. Ng Kai Man, Luke (Deputy Chairman), Ms. Ma Wai Man, Catherine, Mr. Chow Hou Man, and three independent non-executive directors, namely, Mr. Miu, Frank H., Mr. Sin Chi Fai and Ms. Ng Yuk Yee, Feona.

Please also refer to the published version of this announcement in The Standard.