



CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 JULY 2005

The directors of Capital Estate Limited (the “Company”) are pleased to announce that the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 July 2005 together with comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2005

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Turnover	2	25,713	22,622
Cost of sales		—	(1,589)
Direct cost on property rental		(1,557)	(1,589)
Direct cost of sales of properties		(8,808)	(4,024)
Direct cost on estate agency services		(2,437)	(1,015)
Direct cost on trading securities sold		(9,580)	(7,141)
Reversal of allowance for properties held for sale		487	3,954
Gross profit		3,818	11,218
Other operating income		1,320	1,882
Surplus on revaluation of investment properties		8,860	1,615
Administrative expenses		(12,371)	(14,369)
Gain (loss) on disposal of investment properties		1,383	(620)
Amortisation of goodwill		(226)	(494)
Unrealised holding gain (loss) on trading securities		4,958	(739)
Unrealised holding loss on derivatives		(854)	—
Profit (loss) from operations	3	6,888	(1,507)
Finance costs		(535)	(577)
Loss on disposal of discontinuing operations		—	(734)
Loss on disposal of subsidiaries		—	(62)

Profit (loss) before taxation		6,353	(2,880)
Taxation	4	(210)	(2)
Profit (loss) before minority interests		6,143	(2,882)
Minority interests		(241)	21
Net Profit (loss) for the year		<u>5,902</u>	<u>(2,861)</u>
Earnings (loss) per share			
Basic	5	<u>14.84 cents</u>	<u>(11.30 cents)</u>
Diluted		<u>14.08 cents</u>	<u>N/A</u>

Notes:

1. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards (“HKAS(s)”) and Hong Kong Financial Reporting Standards (“HKFRS(s)”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 “Business Combination”, which is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 July 2005. The adoption of HKFRS 3 has not had any material impact on the Group for the year ended 31 July 2005.

For those new HKFRs that the Group has not early adopted in the financial statements for the year ended 31 July 2005, the Group is in the process of making an assessment of the potential impact of these new HKFRSs. The application of the new HKFRSs may result in change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and convertible notes will be applied retrospectively. The adoption of the new HKFRSs may result in changes to the Group’s accounting policies that may have an effect on how the result and financial position for the future or prior accounting periods are prepared and presented.

2. TURNOVER, BUSINESS AND GEOGRAPHICAL SEGMENTS

Turnover and business segments

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

	Continuing operations				Consolidated HK\$'000
	Property rental HK\$'000	Financial investment HK\$'000	Property sale HK\$'000	Estate agency HK\$'000	
INCOME STATEMENT					
For the year ended 31 July 2005					
Turnover					
External sales	<u>472</u>	<u>10,251</u>	<u>10,050</u>	<u>4,940</u>	<u>25,713</u>
Segment Result	<u>6,387</u>	<u>1,421</u>	<u>(786)</u>	<u>862</u>	7,884
Unallocated corporate income					105
Unallocated corporate expenses					<u>(1,101)</u>
Profit from operations					<u>6,888</u>

	Continuing operations			Discontinuing operations		Consolidated HK\$'000
	Property rental HK\$'000	Financial investment HK\$'000	Property sale HK\$'000	Estate agency HK\$'000	Sale of silk products HK\$'000	
INCOME STATEMENT						
For the year ended 31 July 2004						
Turnover						
External sales	<u>767</u>	<u>7,645</u>	<u>4,380</u>	<u>1,981</u>	<u>7,849</u>	<u>22,622</u>
Segment Result	<u>(1,563)</u>	<u>749</u>	<u>3,747</u>	<u>380</u>	<u>(498)</u>	2,815
Unallocated corporate income						106
Unallocated corporate expenses						<u>(4,428)</u>
Loss from operations						<u>(1,507)</u>

Geographical segments

Segment information about geographic markets is presented below:

	Turnover by geographical market		Loss from operation	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Hong Kong	25,713	22,615	9,912	(1,125)
The People's Republic of China	—	7	—	—
Japan	—	—	(2,028)	3,940
	<u>25,713</u>	<u>22,622</u>	<u>7,884</u>	<u>2,815</u>
Unallocated corporate income			105	106
Unallocated corporate expenses			(1,101)	(4,428)
Profit (loss) from operations			<u>6,888</u>	<u>(1,507)</u>

3. PROFIT (LOSS) FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit (loss) from operations has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration	6,072	5,781
Auditors' remuneration	729	711
Allowance for bad and doubtful debts	40	—
Depreciation	87	38
Loss on disposal of property, plant and equipment	—	2
Bank and other interest income	(616)	(79)
Interest income on promissory note receivables	(93)	(1,103)
Interest income on trading securities	(284)	(347)
	<u>(284)</u>	<u>(347)</u>

4. TAXATION

	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	199	19
Deferred tax	<u>11</u>	<u>(17)</u>
	<u>210</u>	<u>2</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

5. EARNINGS (LOSS) PER SHARE

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Earnings:		
Net profit (loss) for the year and earnings (loss) for the purpose of basic earnings (loss) per share	5,902	<u>(2,861)</u>
Effect of dilutive potential ordinary shares in respect of convertible notes	<u>135</u>	
Earnings for the purpose of diluted earnings per share	<u><u>6,037</u></u>	
	2005	2004
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	39,763,137	<u>25,310,489</u>
Effect of dilutive potential ordinary shares in respect of convertible notes	<u>3,121,261</u>	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>42,884,398</u></u>	

The weighted average number of ordinary shares for both years for the purpose of basic and diluted earnings (loss) per share has been adjusted for the share consolidation on 29 September 2005 whereby every 100 issued and unissued shares of HK\$0.01 each in the share capital of the Company were consolidated into one new ordinary share of HK\$1.00 each.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of shares during the year ended 31 July 2005.

No diluted loss per share for the year ended 31 July 2004 had been presented as the exercise price of the Company's options was higher than the average market price of shares during the year and the conversion of the Company's outstanding convertible notes would result in a decrease in net loss per share.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 July 2005 (2004: Nil).

BOOK CLOSURE

The register of members will be closed from Thursday, 15 December 2005 to Tuesday, 20 December 2005, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Tuesday, 20 December 2005, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on Wednesday, 14 December 2005.

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$25.7 million for the year ended 31 July 2005, representing an increase of approximately 13.7% from HK\$22.6 million recorded in the last year. The increase in turnover was mainly due to the increase in sales generated from financial investment of approximately HK\$2.6 million, property sale of approximately HK\$5.6 million and estate agency of approximately HK\$2.9 million. The increase in turnover, however, was partly offset by the decrease in revenue of approximately HK\$7.8 million from sale of silk products, which was discontinued and disposed of in March 2004.

Net profit after tax for the year ended 31 July 2005 amounted to HK\$5.9 million (2004: loss of HK\$2.86 million). The improvement of results was mainly due to the upward revaluation of investment properties and the unrealised holding gain on investment in securities.

LIQUIDITY AND FINANCIAL RESOURCES

The cash balance of the Group increased by 190.5% from approximately HK\$24.3 million at 31 July 2004 to approximately HK\$70.6 million at 31 July 2005, and the total bank borrowings of the Group decreased by 13.7% from approximately HK\$9.5 million at 31 July 2004 to approximately HK\$8.2 million at 31 July 2005. The gearing ratio of the Group, expressed as the percentage of the Group's total liabilities over the shareholders' fund of approximately HK\$159.2 million was decreased from 19.6% to 14.2%. All bank borrowings were denominated in HK dollars and were on a floating rate basis at Hong Kong best lending rates. The maturity profile spreads over a period of 8 years with approximately HK\$1.4 million repayable within one year, HK\$4.1 million repayable within two to five years, and HK\$2.7 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 year under review saw the continuing improvement in the local economy, surges in local property prices and transaction volume, and the continuing benefit to the retail sectors brought about by expanded tourism from Mainland China. Accompanied by such economic recovery and improved market sentiment, the Group has managed to turnaround its loss into a profit, achieving a net profit after tax of HK\$5.9 million for the year (2004: loss of HK\$2.86 million).

The principal activities of the Group remain to be financial investment, property investment, development, estate agency and related activities.

During the year under review, the Group disposed of a prime commercial unit held for sale and realised a profit of approximately HK\$1.36 million. The Group also sold a commercial unit held for investment and generated a profit of approximately HK\$1.38 million.

The Group had looked into several potential property investments, but none of them met the Group's investment criteria in terms of risks and return. The Group will continue to seek appropriate investment opportunities that may arise from these areas.

As for the businesses carried on by the Group's subsidiary, Century 21 Hong Kong Limited, namely those of franchising estate agency work, real estate project management and related undertakings, they have remained stable during the year under review, with the number of franchisees of the "Century 21" name growing from 70 as at 1 August 2004 to 120 currently with 4 franchisee shops in Macau.

PROSPECTS

The management will continue to look for genuine investment opportunities which will provide growth, capital appreciation, stable revenue and profits to the Group. Mindful of its corporate goals, the Group is determined to grow and expand, and increase its presence in the property sector.

Looking ahead, Hong Kong is facing uncertainties and challenges such as rising oil prices and higher interest rates, but overall, the management is confident and positive with the economic outlook and business prospects in Hong Kong and Macau.

Since its gaming industry opened up, Macau has achieved a rapid growth and a bloom in its property sector. Its hospitality industry and show business flourish, accompanied by an ever increasing demand of new hotels and amusement centres, transportation facilities, infrastructure development and amenities.

In view of the promising economy in Macau, the Group is prepared to explore actively investment opportunities in Macau, including property, hotel operations and related businesses.

The Group has recently raised approximately HK\$210.2 million through a rights issue successfully completed in October 2005. The rights issue has significantly strengthened the Group's financial resources and enables the Group to participate in larger scale projects with greater flexibility in its investment decision making. The Group is now in a better position to realise its vision and accomplish its goals, maximizing the investment return for the Group and for its shareholders.

CONTINGENT LIABILITIES

At 31 July 2005, the Group has outstanding commitment in respect of foreign currency futures with notional amount of Yen 1,250 million (equivalent to HK\$86.6 million) (2004: Nil).

At 31 July 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\$7,644,000 (2004: HK\$8,525,000).

PLEDGE OF ASSETS

At 31 July 2005, investment properties of the Group amounting to HK\$25,000,000 (2004: HK\$17,780,000), had been pledged to a bank to secure credit facilities to the extent of HK\$10,000,000 (2004: HK\$10,750,000) granted to the Group of which HK\$7,644,000 (2004: HK\$9,163,000) was utilised by the Group.

At 31 July 2004, the investment property of the Company amounting to HK\$1,480,000 had been pledged to a bank to secure credit facilities to the extent of HK\$750,000 granted to the Company of which HK\$638,000 was utilised by the Company. The pledge has been released during the year ended 31 July 2005.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 July 2005 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules which was in force prior to 1 January 2005, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with Articles 94 and 103(A) of the Company's Articles of Association.

On 1 January 2005, the Code of Best Practice was replaced by the new "Code on Corporate Governance Practices" and "Corporate Governance Report" was introduced in Appendice 23 of the Listing Rules. The Company's compliance of the new Appendices 14 and 23 will come into effect in the year ending 31 July 2006.

AUDIT COMMITTEE

The audit committee comprising Messrs. Sin Chi Fai, Miu, Frank H. and Li Chok Sun, Sean and Ms. Ng Yuk Yee, Feona resigned during the year. At 31 July 2005, the audit committee comprises Messrs. Leung Kam Fai, Wong Kwong Fat and Li Sze Kuen, Billy, all of whom are independent non-executive directors.

The audit committee has reviewed with the management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting process including the review of the financial statements for the year ended 31 July 2005.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

ANNUAL GENERAL MEETING

The 2005 Annual General Meeting of the Company will be held on Tuesday, 20 December 2005 and the Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

By order of the Board
Chu Nin Yiu, Stephen
Executive Chairman

Hong Kong, 18 November 2005

As of the date of this announcement, the Board comprises Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.

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