



CAPITAL ESTATE LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

INTERIM RESULTS

SIX MONTHS ENDED 31ST JANUARY, 2007

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, 2007 together with the comparative figures for the six months ended 31st January, 2006 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2007

	<i>NOTES</i>	Six months ended 31st January, 2007	2006
		<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Turnover	3	381,760	47,744
Property rental income		283	210
Estate agency income		2,294	2,611
Net realised gain (loss) on disposal of investments held for trading/derivative financial instruments		16,370	(5,225)
Changes in fair value of investments held for trading		236,021	3,577
Changes in fair value of derivative financial instruments		880	848
Direct cost on property rental		(811)	(850)
Direct cost on estate agency services		(1,185)	(1,417)
Other income		3,979	7,190
Administrative expenses		(8,009)	(6,374)
Increase (decrease) in fair value of investment properties		719	(1,844)
Impairment loss on goodwill		(780)	—
Finance costs		(271)	(283)
Profit (loss) before taxation	4	249,490	(1,557)
Taxation	5	(42,660)	—
Profit (loss) for the period		206,830	(1,557)

Attributable to:		
Equity holders of the Company	206,847	(1,582)
Minority interests	(17)	25
	<u>206,830</u>	<u>(1,557)</u>
		<i>Restated</i>
Earnings (loss) per share	6	
— Basic	<u>3.94 HK cents</u>	<u>(0.06 HK cents)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 31st January, 2007

	31.1.2007 HK\$'000 (<i>unaudited</i>)	31.7.2006 HK\$'000 (<i>audited</i>)
Non-current assets		
Investment properties	35,287	34,568
Property, plant and equipment	543	814
Deferred tax assets	49	49
Goodwill	3,413	4,193
Available-for-sale investments	<u>116,250</u>	<u>116,250</u>
	<u>155,542</u>	<u>155,874</u>
Current assets		
Properties held for sale	206	206
Derivative financial instruments	—	283
Trade and other receivables	20,144	13,455
Investments held for trading	389,455	101,826
Deposit paid for possible acquisition of an unlisted investment	10,000	—
Promissory note receivables	—	4,000
Taxation recoverable	61	75
Certificate of deposits	—	8,996
Pledged bank deposits	622	614
Bank balances and cash	<u>196,251</u>	<u>237,318</u>
	<u>616,739</u>	<u>366,773</u>

Current liabilities		
Trade and other payables	13,660	12,803
Derivative financial instruments	—	1,163
Taxation payable	54,198	11,595
Bank borrowings — due within one year	999	903
Bank overdrafts	—	84
	<u>68,857</u>	<u>26,548</u>
Net current assets	<u>547,882</u>	<u>340,225</u>
Total assets less current liabilities	<u>703,424</u>	<u>496,099</u>
Non-current liability		
Bank borrowings — due after one year	5,436	5,920
	<u>697,988</u>	<u>490,179</u>
Capital and reserves		
Share capital	16,936	338,717
Reserves	679,851	150,244
	<u>696,787</u>	<u>488,961</u>
Equity attributable to equity holders of the Company	1,201	1,218
Minority interests	<u>697,988</u>	<u>490,179</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st January, 2007

1. BASIS OF PREPARATION

The condensed consolidated 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 (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st July, 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the current accounting period. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment ³
HK(IFRIC) — INT 11	HKFRS 2 — Group and Treasury Share Transactions ⁴
HK(IFRIC) — INT 12	Service Concession Arrangements ⁵

¹ Effective for annual periods beginning on or after 1st January, 2007

² Effective for annual periods beginning on or after 1st January, 2009

³ Effective for annual periods beginning on or after 1st November, 2006

⁴ Effective for annual periods beginning on or after 1st March, 2007

⁵ Effective for annual periods beginning on or after 1st January, 2008

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, 2007

	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	283	379,183	—	2,294	381,760
SEGMENT RESULT	177	250,831	—	(50)	250,958
Unallocated corporate income					3,340
Unallocated corporate expenses					(4,537)
Finance costs					(271)
Profit before taxation					249,490

For the six months ended 31st January, 2006

	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	210	44,923	—	2,611	47,744
SEGMENT RESULT	(2,790)	3,833	(5)	74	1,112
Unallocated corporate income					2,572
Unallocated corporate expenses					(4,958)
Finance costs					(283)
Loss before taxation					(1,557)

4. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation for the six months ended 31st January, 2007 has been arrived at after charging depreciation of HK\$278,000 (six months ended 31st January, 2006: HK\$51,000) in respect of the Group's property, plant and equipment and after crediting dividend income from investments held for trading of HK\$227,000 (six months ended 31st January, 2006: HK\$4,663,000) and bank interest income of HK\$3,324,000 (six months ended 31st January, 2006: HK\$1,853,000).

5. TAXATION

Hong Kong Profits Tax of HK\$42,660,000 has been provided for the six months ended 31st January, 2007 which is calculated at 17.5% of the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax has been made for the six months ended 31st January, 2006 as the Group had no assessable profit for that 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,	
	2007	2006
	HK\$'000	HK\$'000
Earnings (loss) for the purposes of basic earnings (loss) per share	<u>206,847</u>	<u>(1,582)</u>
	Number	Number
	of shares	of shares
		<i>(restated)</i>
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<u>5,250,798,189</u>	<u>2,685,817,468</u>

For the purpose of calculating the basic and diluted earnings (loss) per share, the weighted average number of ordinary shares for the six months ended 31st January, 2007 and 2006 had been adjusted to reflect the rights issue on the basis of five rights shares for every share held on 12th March, 2007.

The computation of diluted earnings (loss) per share did not assume the exercise of the Company's outstanding share options or warrants or convertible notes as the exercise prices of those options or warrants were higher than the average market price of shares during the six months ended 31st January, 2007 and 2006 and the convertible notes were anti-dilutive.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 31st January, 2007 (six months ended 31st January, 2006: Nil).

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$381.8 million for the six months ended 31st January, 2007, as compared to HK\$47.7 million for the same period last year. The revenue was mainly attributable to the sales from marketable securities and derivative financial instruments.

Net profit for the six months ended 31st January, 2007 amounted to HK\$206.8 million, as compared to the net loss of HK\$1.6 million for the same period last year. The profit mainly comprised unrealized holding gain of approximately HK\$236.0 million on investment in securities and derivative financial instruments.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a very liquid position with a cash balance, all in Hong Kong dollars, amounted to HK\$196.2 million at 31st January, 2007 (31st July 2006 : HK\$237.3 million). Total bank borrowings were HK\$6.4 million at 31st January, 2007 (31st July, 2006 : HK\$6.8 million) of which HK\$1.0 million were repayable within one year, HK\$4.4 million within two to five years and HK\$1.0 million over 5 years. The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' fund, was 10.7% (31st July, 2006: 6.6%) at 31st January, 2007. All bank borrowings were denominated in Hong Kong dollars and on a floating rate basis at Hong Kong best lending rates.

EXCHANGE RATE EXPOSURE

Most assets, liabilities and transactions of the Group are denominated in Hong Kong dollars, except for the Group's investment properties in Japan, and certain foreign currency derivatives held for trading. The fluctuations of foreign currencies did not have a significant impact on the performance of the Group.

BUSINESS REVIEW

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

The Group's two investments in Macau have seen positive return and development potentials, namely, the 10% equity interest in Tin Fok Holding Company Limited ("Tin Fok") and the 5% interest in Sociedade de Investimento Imobiliário Pun Keng Van, SARL ("Pun Keng Van").

Tin Fok holds a 100% interest in Hotel Fortuna. According to its unaudited accounts, Hotel Fortuna achieved a turnover of approximately HK\$174.2 million in 2006, up 24% from HK\$140 million in 2005. The hotel occupancy rate was approximately 83.9%. On the other hand, Pun Keng Van's planned development of a 57-storey luxurious residential building over the land site at Avenida Commercial de Macau is expected to commence in the foreseeable future upon approval of the building plans.

The Group's subsidiary, Century 21 Hong Kong Limited, continued to conduct in a steady pace its businesses of franchising estate agency works, real estate project management and related undertakings. During the period, the number of franchisees of "Century 21" has been maintained at 122.

In April 2007, the Group successfully raised approximately HK\$215.0 million after expenses by way of rights issue. The Group has further strengthened its financial resources and the funds raised will be used for future investment opportunities.

PROSPECTS

In order to capitalise on the rapid growth of the Macau economy, the Group has been actively seeking sound investment opportunities in Macau. In January, 2007, the Group has entered into a non-binding memorandum of understanding, negotiating the possibility of acquiring an indirect interest of 23.40% in a 23-storey top class office building, the "Wealth Management and IT Centre of Macau".

Apart from the above possible acquisition, the Group is seeking and assessing other investments opportunities, which include acquisitions or development projects of hotels and resorts, and luxury residential properties in Macau and the neighbouring Guangdong Province.

CONTINGENT LIABILITY

At 31st January, 2007, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary where were utilised to the extent of to HK\$ 6,361,000 (31st July, 2006: HK\$ 6,798,000).

PLEDGE OF ASSETS

At 31st January, 2007, investment properties of the Group amounting to HK\$25,800,000 (31st July, 2006: HK\$24,700,000) were pledged to a bank to secure credit facilities to the extent of HK\$10,000,000 (31st July, 2006: HK\$10,000,000) granted to the Group, of which HK\$6,361,000 (31st July, 2006: HK\$6,798,000) was utilised by the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2007.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2007 with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules except for the following deviations:-

1. Under Code A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Chairman of the Board, Mr. Chu Nin Yiu, Stephen, provides overall leadership for the Board and takes the lead to ensure the Board acts in the best interest of the Company. The Company does not have a chief executive officer and the day-to-day management of the Company’s business is shared among the executive directors. The Company will endeavour to ensure that there is a clear division of these responsibilities at the board level to maintain a balance of power and authority.

2. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code of the Listing Rules as its own codes of conduct regarding directors’ and relevant employees’ securities transactions. Having made specific enquiry to all directors, all directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 31st January, 2007.

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

During the six months ended 31st January, 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraph 46 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
CAPITAL ESTATE LIMITED
Chu Nin Yiu, Stephen
Executive Chairman

Hong Kong, 25th April, 2007

As at the date hereof, 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.

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