



# 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, 2008

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, 2008 together with the comparative figures for the six months ended 31st January, 2007 were as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2008

	NOTES	Six months ended 31st January,	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
<b>Continuing operations</b>			
Property rental income	3	284	283
Direct costs on property rental		(788)	(811)
Gross loss		(504)	(528)
Other income		3,571	3,583
Other (losses) gains	4	(142,146)	253,497
Increase in fair value of investment properties		5,794	719
Administrative expenses		(14,965)	(6,680)
Share of profits of associates		1,830	—
Finance costs		(103)	(271)
(Loss) profit before taxation		(146,523)	250,320
Taxation	5	—	(42,660)
(Loss) profit for the period from continuing operations		(146,523)	207,660
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		—	(830)
(Loss) profit for the period	6	(146,523)	206,830
Attributable to:			
Equity holders of the Company		(146,518)	206,847
Minority interests		(5)	(17)
(Loss) earnings per share	7	(146,523)	206,830
<b>From continuing and discontinued operations</b>			
— Basic		(1.239) HK cents	3.939 HK cents
<b>From continuing operations</b>			
— Basic		(1.239) HK cents	3.955 HK cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 31st January, 2008

	<b>31.1.2008</b> <i>HK\$'000</i> <i>(unaudited)</i>	31.7.2007 <i>HK\$'000</i> <i>(audited)</i>
Non-current assets		
Investment properties	43,622	37,828
Property, plant and equipment	3,346	3,731
Prepaid lease payments	6,811	7,265
Interests in associates	233,252	392,499
Available-for-sale investments	69,890	56,250
	<u>356,921</u>	<u>497,573</u>
Current assets		
Properties held for sale	206	206
Properties held for development	301,033	—
Derivative financial instruments	181	—
Prepaid lease payments	908	908
Trade and other receivables	42,044	7,402
Investments held for trading	113,981	266,127
Pledged bank deposits	638	630
Restricted bank deposits	108,318	5,585
Bank balances and cash	224,751	151,464
	<u>792,060</u>	<u>432,322</u>
Current liabilities		
Trade and other payables	27,829	6,401
Derivative financial instruments	13,223	775
Financial liabilities at fair value through profit or loss	12,920	—
Taxation payable	34,308	34,308
Bank borrowings — due within one year	95	1,039
	<u>88,375</u>	<u>42,523</u>
Net current assets	<u>703,685</u>	<u>389,799</u>
Total assets less current liabilities	<u>1,060,606</u>	<u>887,372</u>
Non-current liability		
Bank borrowings — due after one year	—	4,937
	<u>1,060,606</u>	<u>882,435</u>
Capital and reserves		
Share capital	132,869	107,598
Share premium and reserves	923,971	774,837
Equity attributable to equity holders of the Company	<u>1,056,840</u>	<u>882,435</u>
Minority interests	3,766	—
	<u>1,060,606</u>	<u>882,435</u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st January, 2008

### 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”.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment 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, 2007.

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 Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial year beginning 1st August, 2007. The adoption of these new HKFRSs has no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>5</sup> Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

#### Business Segments

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

On 31st July, 2007, the Group disposed of its two subsidiaries, Consecutive Profits Limited and Century 21 Hong Kong Limited which were engaged in estate agency service operations.

*For the six months ended 31st January, 2008*

	Continuing operations			Consolidated HK\$'000
	Property rental HK\$'000	Financial investment HK\$'000	Property sale HK\$'000	
GROSS PROCEEDS	<u>284</u>	<u>905,522</u>	<u>—</u>	<u>905,806</u>
PROPERTY RENTAL INCOME				
External sales	<u>284</u>	<u>—</u>	<u>—</u>	<u>284</u>
SEGMENT RESULT	<u>5,276</u>	<u>(142,949)</u>	<u>(490)</u>	<u>(138,163)</u>
Unallocated corporate income				2,406
Unallocated corporate expenses				(12,493)
Share of profits of associates				1,830
Finance costs				<u>(103)</u>
Loss for the period				<u>(146,523)</u>

For the six months ended 31st January, 2007

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Property rental HK\$'000	Financial investment HK\$'000	Total HK\$'000	Estate agency HK\$'000	
GROSS PROCEEDS	<u>283</u>	<u>379,183</u>	<u>379,466</u>	<u>2,294</u>	<u>381,760</u>
PROPERTY RENTAL INCOME					
External sales	<u>283</u>	<u>—</u>	<u>283</u>	<u>2,294</u>	<u>2,577</u>
SEGMENT RESULT	<u>177</u>	<u>252,850</u>	253,027	(50)	252,977
Unallocated corporate income			3,340	—	3,340
Unallocated corporate expenses			(5,776)	(780)	(6,556)
Finance costs			(271)	—	(271)
Profit (loss) before taxation			250,320	(830)	249,490
Taxation			(42,660)	—	(42,660)
Profit (loss) for the period			<u>207,660</u>	<u>(830)</u>	<u>206,830</u>

#### 4. OTHER (LOSSES) GAINS

	Six months ended 31st January,	
	2008 HK\$'000	2007 HK\$'000
(Decrease) increase in fair value of investments held for trading	(119,059)	252,391
(Decrease) increase in fair value of derivative financial instruments	(25,568)	880
Increase in fair value of financial liabilities at fair value through profit or loss	1,313	—
Dividend income from investments held for trading	1,168	226
	<u>(142,146)</u>	<u>253,497</u>

#### 5. TAXATION

No provision for Hong Kong Profits Tax has been made for the six months ended 31st January, 2008 as the Group had no assessable profit for the period.

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

## 6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period for the six months ended 31st January, 2008 has been arrived at after charging depreciation of HK\$385,000 (six months ended 31st January, 2007: HK\$278,000) in respect of the Group's property, plant and equipment and share-based payment expense of HK\$4,980,000 (six months ended 31st January, 2007: HK\$979,000) and after crediting bank interest income of HK\$2,421,000 (six months ended 31st January, 2007: HK\$3,324,000).

## 7. (LOSS) EARNINGS PER SHARE

### From continuing and discontinued operations

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

	<b>Six months ended</b>	
	<b>31st January,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss) profit for the period attributable to equity holders of the Company for the purpose of basic (loss) earnings per share	<u><b>(146,518)</b></u>	<u>206,847</u>
	<b>Number</b>	<b>Number</b>
	<b>of shares</b>	<b>of shares</b>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u><b>11,822,629,070</b></u>	<u>5,250,798,189</u>

No diluted loss per share had been presented for the six months ended 31st January, 2008 because the exercise of the share options would result in a decrease in loss per share.

For the six months ended 31st January, 2007, no diluted earnings per share has been presented because the exercise price of the share options was higher than the average market price of the Company's shares.

## From continuing operations

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

	<b>Six months ended</b>	
	<b>31st January,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share:		
(Loss) profit for the period attributable to equity holders of the Company	<b>(146,518)</b>	206,847
Less: Loss for the period attributable to equity holders of the Company from discontinued operation	<u>—</u>	<u>(813)</u>
Loss (earnings) for the purpose of basic (loss) earnings per share from continuing operations	<u><b>(146,518)</b></u>	<u>207,660</u>

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

The basic loss per share from discontinued operation based on the above data are as follows:

	<b>Six months ended</b>	
	<b>31st January,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
From discontinued operation		
— Basic loss per share	<u>—</u>	<u>0.016 HK cents</u>

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of any dividends for the six months ended 31st January, 2008.

## **REVIEW OF THE RESULTS**

The Group reported gross proceeds approximately HK\$905.8 million for the six months ended 31st January, 2008, which comprised mainly gross proceeds from sales of securities, as compared to HK\$381.8 million for the same period last year.

Net loss for the six months ended 31st January, 2008 was HK\$146.5 million, as compared to the net profit of HK\$206.8 million for the same period last year. The loss mainly comprised the decrease in fair value of investments and derivative financial instruments amounting to HK\$143.3 million, which was largely due to the reversal of unrealized holding gain of approximately HK\$116.3 million on certain marketable securities held at 31 July, 2007 upon their subsequent disposals during the period under review.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continued to maintain a very liquid position. At 31st January, 2008, the Group had bank balances and cash of HK\$224.8 million (31st July, 2007: HK\$151.5 million), mainly in Hong Kong dollars, and marketable securities totalling HK\$114.0 million (31st July 2007: HK\$266.1 million). Following the early repayment of a bank loan of approximately HK\$5.9 million during the period, the Group's bank borrowings, all in Hong Kong dollar and repayable within one year, were reduced to HK\$0.09 million at 31st January, 2008 (31st July, 2007: HK\$5.9 million). The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' fund, was 8.4% at 31st January, 2008 (31st July, 2007: 5.4%).

## **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, financial investment and related activities.

The Company has established a stronger presence in Macau's property sector. With two acquisitions of 49% and 50% respectively in June and November 2007, the Group acquired a total of 99% controlling interests in Sun Fat Investment and Industry Company Limited ("Sun Fat") in Macau. The principal asset of Sun Fat is its 100% ownership of a piece of vacant land of area 10,154 square meters with a valuation of HK\$330 million in Coloane, Macau before deducting the land premium required for conversion of the land use to residential purposes. The subsidiary is awaiting the approval of the building plan for the commencement of the development of 48 luxury residential houses and related facilities with a total gross floor area of approximately 19,394 square meters over the site.

Tin Fok Holding Company Limited ("Tin Fok"), the associated company owned as to 32.5% by the Group, continued to operate the 100% owned Hotel Fortuna, Macau and perform satisfactorily. Accordingly to its unaudited management accounts for the year ended 31st December, 2007, Tin Fok achieved a turnover of approximately HK\$185.1 million in 2007, up 6% from HK\$174.2 million in 2006. The hotel occupancy rate was approximately 94%.



The Group has a 5% interest in Sociedade de Investimento Imobiliário Pun Keng Van, SARL (“Pun Keng Van”), which owns the site at Avenida Commercial de Macau for the development of a 57-storey luxurious residential building on the waterfront at Nam Van Lake. Significant progress has been made with successful government approval of the building plans and issuance of the construction permit.

In December 2007, the Group successfully raised approximately HK\$161.7 million after expenses by the placing of 1,500,000,000 new shares under general mandate. The placing has strengthened the Group’s working capital and financial capabilities for future investment opportunities.

## **PROSPECTS**

Mindful of its corporate objective, the Group has been actively seeking sound investment opportunities in Macau and the neighbouring Guangdong Province.

The Group has entered into a joint venture arrangement on 26th February, 2008 with other parties, pursuant to which a joint venture company, New Fortune Environmental Protection Limited (“New Fortune”), has been formed in Hong Kong and owned as to 89.9% by the Group and 10.1% by other parties. New Fortune would in turn establish five subsidiaries in the PRC with proposed aggregate registered capital of RMB 200 million, each of which would be owned as to 99% by New Fortune. The initial investment of New Fortune in the five subsidiaries is therefore expected to be RMB 198 million, of which the Group would contribute approximately RMB 178.0 million in proportion to its beneficial interest in New Fortune. These subsidiaries in the PRC are expected to be engaged in the environmental or property related projects in the PRC.

On 29th February, 2008, the Company has entered into a sale and purchase agreement with Mason Creation Limited, Upper Way Holdings Limited and Mr. Siu Ka Kuen (the “Vendors”), pursuant to which the Company has conditionally agreed to acquire the entire equity interest in Hotel Fortuna (Hong Kong) Limited (“Hotel Fortuna (Hong Kong)”) and all outstanding liabilities owned by Hotel Fortuna to the Vendors for a consideration of HK\$550 million (subject to adjustments). Hotel Fortuna (Hong Kong) owns and operates a hotel with 408 rooms at Le Cong Zhen, Shun De District, Foshan, the PRC (the “Hotel”) through its wholly-owned subsidiary in the PRC. The Hotel was built over a parcel of land of approximately 22,671 square meters, which offers further development potential of approximately 44,861 square meters of permissible gross floor area for residential and commercial uses. The acquisition, duly approved by shareholders at a general meeting held on 14th April, 2008 and pending the completion of the sale and purchase agreement, will further increase the Group’s portfolio of property interests.

The management is positive with the economic outlook of Hong Kong, Macau and the PRC, and is confident that its investments in Macau and in the PRC will be fruitful and yield satisfactory return to the Group and its shareholders in the foreseeable future.

## **CONTINGENT LIABILITY**

At 31st January, 2008, the Group had no significant contingent liabilities.

## **PLEDGE OF ASSETS**

At 31st January, 2008, the Group had deposit of HK\$ 638,000 pledged to a bank to secure banking facilities of HK\$600,000 granted to the Group, of which HK\$95,000 was utilised by the Group.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2008.

## **CORPORATE GOVERNANCE**

The Company complied throughout the six months ended 31st January, 2008 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, 2008.

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

During the six months ended 31st January, 2008, 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, 2008

*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.*