



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, 2009

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, 2009 together with the comparative figures for the six months ended 31st January, 2008 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2009

	NOTES	Six months ended 31st January,	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Property rental and hotel operations income	3	7,570	284
Direct cost on property rental and hotel operation		(5,397)	(788)
Gross profit (loss)		2,173	(504)
Other income		1,780	3,571
Other losses	4	(55,218)	(142,146)
(Decrease) increase in fair value of investment properties		(8,040)	5,794
Administrative expenses		(19,677)	(14,965)
Distribution expenses		(150)	—
Share of (loss) profit of associates		(3,392)	1,830
Finance costs		(2,056)	(103)
Impairment loss recognised on available-for-sale investments		(10,040)	—
Impairment loss recognised on properties for development		(64,033)	—
Impairment loss recognised on goodwill		(71,079)	—
Loss before taxation and for the period	6	<u>(229,732)</u>	<u>(146,523)</u>
Attributable to:			
Equity holders of the Company		(229,320)	(146,518)
Minority interests		(412)	(5)
		<u>(229,732)</u>	<u>(146,523)</u>
LOSS PER SHARE	7		
— Basic (HK cents)		<u>(1.726)</u>	<u>(1.239)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 31st January, 2009

	<i>NOTES</i>	31st January, 2009 <i>HK\$'000</i> <i>(unaudited)</i>	31st July, 2008 <i>HK\$'000</i> <i>(audited)</i>
Non-current Assets			
Investment properties		28,610	36,650
Property, plant and equipment		465,061	3,017
Prepaid lease payments		13,209	—
Premium on prepaid lease payments		191,624	—
Interests in associates		230,332	233,724
Available-for-sale investments		59,850	69,890
Convertible bonds		40,864	—
Derivative component in convertible bonds		1,471	—
Deposit paid for acquisition of subsidiaries		—	250,000
		1,031,021	593,281
Current Assets			
Amount due from an associate		45	45
Properties for development		237,000	301,033
Inventories		3,146	—
Derivative financial instruments		—	208
Trade and other receivables	8	9,878	928
Prepaid lease payments		401	—
Investments held for trading		38,293	103,412
Pledged bank deposits		641	641
Restricted bank deposits		1,889	6,227
Bank balances and cash		26,967	39,743
		318,260	452,237
Current Liabilities			
Trade and other payables	9	28,618	4,611
Derivative financial instruments		1,578	1,005
Taxation payable		33,408	34,286
Loans from related parties		137,136	—
Other borrowings		15,937	—
Obligation under a finance lease — due within one year		102	—
		216,779	39,902
Net current assets		101,481	412,335
Total assets less current liabilities		1,132,502	1,005,616
Non-current Liabilities			
Consideration payable for acquisition of subsidiaries		284,464	—
Deferred tax liabilities		71,079	—
Obligation under a finance lease — due after one year		251	—
		355,794	—
		776,708	1,005,616
Capital and Reserves			
Share capital		132,869	132,869
Share premium and reserves		640,386	868,982
Equity attributable to equity holders of the Company		773,255	1,001,851
Minority interests		3,453	3,765
		776,708	1,005,616

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st January, 2009

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 “Listing Rules”) 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 certain 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, 2008 except as described below.

Revenue recognition

Hotel operation income

Revenue from room rental, food and beverage sales and other ancillary services in the hotel are recognised when the relevant services have been rendered.

Prepaid lease payments

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and amortised over the lease term on a straight line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Convertible bonds

Convertible bonds that contain both the loans and receivables and conversion option components are classified separately into respective items on initial recognition. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC) — Int 18	Transfers of Assets from Customers ⁶

¹ Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

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

³ Effective for annual periods beginning on or after 1st July, 2009

⁴ Effective for annual periods ending on or after 30th June, 2009

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

⁶ Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st August, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business Segments

During the period ended 31st January, 2009, the Group commenced the hotel operation through acquisition of a subsidiary, Hotel Fortune (Hong Kong) Company Limited.

For management purposes, the Group is organised into four operating divisions — property rental, financial investment, property development and sale and hotel operations. These divisions are the basis on which the Group reported its primary segment information.

Principal activities are as follows:

Property rental	—	leasing of properties
Financial investment	—	trading of listing securities and derivative financial instruments
Property development and sale	—	sale of properties held for sale and property under development
Hotel operations	—	hotel business and its related services

Segment information about these businesses is presented below:

Six months ended 31st January, 2009

	Property rental	Financial investment	Property development and sale	Hotel operations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
GROSS PROCEEDS	<u>283</u>	<u>54,228</u>	<u>—</u>	<u>7,287</u>	<u>61,798</u>
SEGMENT REVENUE	<u>283</u>	<u>—</u>	<u>—</u>	<u>7,287</u>	<u>7,570</u>
SEGMENT RESULT	<u>(8,417)</u>	<u>(53,640)</u>	<u>(64,062)</u>	<u>(3,178)</u>	<u>(129,297)</u>
Unallocated corporate income					11
Unallocated corporate expenses					(94,998)
Share of loss of associates					(3,392)
Finance costs					<u>(2,056)</u>
Loss before taxation and for the period					<u>(229,732)</u>

Six months ended 31st January, 2008

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

4. OTHER LOSSES

	Six months ended 31st January,	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Decrease in fair value of investments held for trading	(48,484)	(119,059)
Decrease in fair value of derivative component in convertible bonds	(2,325)	—
Decrease in fair value of derivative financial instruments	(5,212)	(25,568)
Increase in fair value of financial liabilities designated as fair value through profit or loss	—	1,313
Dividend income from investments held for trading	803	1,168
	<u>(55,218)</u>	<u>(142,146)</u>

5. TAXATION

No provision for Hong Kong Profits Tax and tax in PRC subsidiaries have been made for both periods as the Group has no assessable profit for both periods.

6. LOSS BEFORE TAXATION AND FOR THE PERIOD

	Six months ended 31st January,	
	2009	2008
	HK\$'000	HK\$'000
Loss before taxation and for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	3,199	385
Amortisation of prepaid lease payments and premium on prepaid lease payments	513	—
Share-based payment expense	1,950	4,980
Bank interest income	(18)	(2,421)
	<u> </u>	<u> </u>

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended 31st January,	
	2009	2008
	HK\$'000	HK\$'000
Loss for the period attributable to equity holders of the Company for the purpose of basic loss per share	<u>(229,320)</u>	<u>(146,518)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>13,286,896,896</u>	<u>11,822,629,070</u>

No diluted loss per share had been presented for both periods because the exercise of the share options would result in a decrease in loss per share.

8. TRADE AND OTHER RECEIVABLES

At 31st January, 2009, the balance of trade and other receivables included trade receivables of HK\$3,352,000 (31st July, 2008: HK\$87,000). An aged analysis of trade receivables at the balance sheet date is as follows:

	31st January, 2009 HK\$'000	31st July, 2008 HK\$'000
0 to 60 days	1,972	29
61 to 90 days	358	11
91 days or above	1,022	47
	<u>3,352</u>	<u>87</u>

9. TRADE AND OTHER PAYABLES

At 31st January, 2009, the balance of trade and other payables included trade payables of HK\$6,356,000 (31st July, 2008: HK\$302,000). An aged analysis of trade payables at the balance sheet date is as follows:

	31st January, 2009 HK\$'000	31st July, 2008 HK\$'000
0 to 60 days	4,550	302
61 to 90 days	575	—
91 days or above	1,231	—
	<u>6,356</u>	<u>302</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of any dividends for the six months ended 31st January, 2009.

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK\$61.8 million for the six months ended 31st January, 2009, which comprised mainly gross proceeds from sales of securities, as compared to HK\$905.8 million for the same period last year.

Net loss attributable to equity holders of the Company for the six months ended 31st January, 2009 was HK\$229.3 million, as compared to the net loss of HK\$146.5 million for the same period last year. The loss mainly comprised the impairment loss on properties for development and goodwill arising from acquisition of a subsidiary amounting to HK\$64.0 million and HK\$71.1 million respectively. Such impairment losses were recognised by the Group on a prudent basis as a result of the recent downturn in the global economy and the uncertainties surrounding the financial and property markets.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2009, the Group had bank balances and cash of HK\$27.0 million (31st July, 2008: HK\$39.7 million), mainly in Hong Kong dollars and Renminbi, and marketable securities totalling HK\$38.3 million (31st July 2008: HK\$103.4 million). Following the completion of the acquisition of Hotel Fortuna (Hong Kong) Company Limited (“Hotel Fortuna (Hong Kong)”), the Group recorded a total borrowing of HK\$437.9 million with HK\$153.2 million repayment falling due within one year (31st July 2008: no borrowings other than corporate credit card payable classified as “other payable”). After the period end, the Group’s hotel properties were pledged to a bank to secure a long term bank loan of approximately HK\$152 million to refinance the Group’s aforesaid borrowing which would fall due within one year.

The Group’s gearing ratio, expressed as a percentage of the Group’s total liabilities over the shareholders’ fund, was 74.0% at 31st January, 2009 (31st July, 2008: 4.0%).

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, 2009, the principal activities of the Group are property investment and development, hotel operation, financial investment and related activities.

The Group hold 99% controlling interests in Sun Fat Investment and Industry Company Limited (“Sun Fat”) which principal asset is its 100% ownership in a piece of vacant land located in Coloane, Macau. The piece of land consists of an area of approximately 10,154 square meters with a valuation of HK\$237.0 million before deducting the land premium required for conversion of the land use to residential purpose. The subsidiary is awaiting the approval of the commencement of the development of 48 luxury residential houses and related facilities with a total gross floor area of approximately 19,934 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. The tightened travel restrictions on mainland Chinese tourists and global financial woes have apparently subdued market sentiment. The hotel, however, continued to maintain a high occupancy rate of approximately 91% and recorded a stable turnover of approximately HK\$184.0 million in 2008 when compared to the turnover of HK\$185.1 million in 2007.

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. The project has been slowed down due to the current unfavourable property market in Macau. The progress of the development will be monitored closely.

PROSPECTS

On 31st December, 2008, the Company successfully completed its acquisition of the entire equity interest in Hotel Fortuna (Hong Kong).

Hotel Fortuna (Hong Kong) effectively owns and operates a hotel with 408 rooms at Le Cong Zhen, Shun De District, Foshan, the PRC (the “Hotel”). 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 of the Hotel, which carries land and building with a valuation of approximately HK\$647.3 million as at 31st December, 2008 and recorded an improved turnover of approximately HK\$87.9 million in 2008 compared to approximately HK\$71.6 million in 2007, has further enriched the Group’s portfolio of property interests and is expected to generate stable income in the future.

Looking forward, the global financial market will continue to be volatile. The Directors, however, are overall confident with the medium to long term prospects of the Group in view of its healthy financial position and business operation. Facing the many challenges and opportunities ahead, the Group will cautiously monitor its investments, review its business strategies and position itself for the next growth cycle.

CONTINGENT LIABILITY

At 31st January, 2009, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

At 31st January, 2009, the Group had deposit of HK\$ 641,000 pledged to a bank to secure credit facilities to the extent of HK\$600,000 granted to the Group, of which HK\$24,000 was utilised by the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2009.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2009 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 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, 2009.

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

During the six months ended 31st January, 2009, 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, 8th April, 2009

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.