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, 2010

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, 2010 together with the comparative figures for the six months ended 31st January, 2009 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31ST JANUARY, 2010

	NOTES	Six months ended 31st January, 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Revenue	3	**56,974**	7,570
Direct cost		**(31,486)**	(5,397)
Gross profit		**25,488**	2,173
Other income		**2,408**	1,780
Other gains (losses)	4	**6,661**	(55,218)
Increase (decrease) in fair value of investment properties		**3,140**	(8,040)
Administrative expenses		**(47,420)**	(19,677)
Distribution expenses		**(1,225)**	(150)
Share of loss of associates		**(2,445)**	(3,392)
Finance costs		**(5,020)**	(2,056)
Impairment loss recognised on available-for-sale investments		**—**	(10,040)
Impairment loss recognised on properties for development		**(20,000)**	(64,033)
Impairment loss recognised on goodwill		**—**	(71,079)
Loss before taxation and for the period	6	**(38,413)**	(229,732)
Other comprehensive income (expense)			
Exchange differences arising on translation		**5,970**	(1,226)
Total comprehensive expense for the period		**(32,443)**	(230,958)
Loss attributable to:			
Owners of the Company		**(38,265)**	(229,320)
Minority interests		**(148)**	(412)
		(38,413)	(229,732)

	NOTES	Six months ended 31st January, 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Total comprehensive expense attributable to:			
Owners of the Company		**(32,295)**	(230,546)
Minority interests		**(148)**	(412)
		(32,443)	(230,958)
LOSS PER SHARE	*7*		
— Basic and diluted (HK cents)		**(0.180)**	(1.726)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2010

	NOTES	**31st January, 2010** *HK$'000* *(unaudited)*	31st July, 2009 *HK$'000* *(audited)*
Non-current Assets			
Investment properties		**35,300**	32,160
Property, plant and equipment		**450,344**	461,292
Prepaid lease payments		**13,056**	13,112
Premium on prepaid lease payments		**189,539**	190,268
Interests in associates		**221,268**	223,713
Available-for-sale investments		**59,850**	59,850
Convertible bond		**—**	41,845
Derivative component in convertible bond		**—**	6,883
		969,357	1,029,123
Current Assets			
Amount due from an associate		**109**	99
Properties for development		**227,200**	247,000
Inventories		**4,376**	2,599
Trade and other receivables	*8*	**14,133**	8,413
Prepaid lease payments		**408**	403
Investments held for trading		**34,864**	32,345
Pledged bank deposits		**641**	641
Restricted bank deposits		**—**	947
Bank balances and cash		**62,841**	40,905
		344,572	333,352
Current Liabilities			
Trade and other payables	*9*	**22,931**	20,050
Derivative financial instruments		**—**	1,056
Taxation payable		**25,548**	25,548
Bank borrowings — due within one year		**7,783**	6,110
		56,262	52,764
Net current assets		**288,310**	280,588
Total assets less current liabilities		**1,257,667**	1,309,711
Non-current Liabilities			
Bank borrowings — due after one year		**142,154**	144,377
Consideration payable for acquisition of subsidiaries		**95,276**	113,593
Deferred tax liabilities		**71,079**	71,079
		308,509	329,049
		949,158	980,662
Capital and Reserves			
Share capital		**213,169**	212,899
Share premium and reserves		**733,391**	765,017
Equity attributable to owners of the Company		**946,560**	977,916
Minority interests		**2,598**	2,746
		949,158	980,662

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2010

1. BASIS OF PREPARATION

The interim 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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st July, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st August, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[1]

[1] Amendments that are effective for annual period beginning on or after 1st July, 2009.

Except as described below, the adoption of the new and revised HKFRS has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the financial statements.

The adoption 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 amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value.

HKFRS 8 is a disclosure standard that has resulted in redesignation of the Group's reportable segments (see note 3).

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st August 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1st August 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods. In the current period, the Group has not capitalised any borrowing costs in accordance with HKAS 23 (Revised 2007).

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 issued in 2009[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[3]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Amendments that are effective for annual periods beginning on or after 1st January, 2010
2 Effective for annual periods beginning on or after 1st January, 2011
3 Effective for annual periods beginning on or after 1st February, 2010
4 Effective for annual periods beginning on or after 1st January, 2010
5 Effective for annual periods beginning on or after 1st January, 2013
6 Effective for annual periods beginning on or after 1st July, 2010

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 interim financial statements.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st August 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e., the executive directors) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, the primary segment information was analysed on the basis of the types of goods and services supplied by the Group's operating divisions, namely property rental, financial investment, property development and sale and hotel operations. However, for the property operations, the chief operating decision maker reviews the financial information of the property rental and property development and sale altogether. Therefore, the property operations are disclosed as one operating segment.

The Group's operating segments under HKFRS 8 are therefore as follows:

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

Information regarding these segments is reported below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 31st January, 2010

	Property	**Financial investment**	**Hotel operations**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Gross proceeds	**284**	**96,145**	**56,690**	**153,119**
Segment revenue	**284**	**—**	**56,690**	**56,974**
Segment profit (loss)	**(17,367)**	**7,968**	**(13,178)**	**(22,577)**
Unallocated income				**1,040**
Unallocated expenses				**(9,411)**
Share of loss of associates				**(2,445)**
Finance costs				**(5,020)**
Loss before taxation, and for the period				**(38,413)**

Six months ended 31st January, 2009

	Property	Financial investment	Hotel operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross proceeds	283	54,228	7,287	61,798
Segment revenue	283	—	7,287	7,570
Segment loss	(72,479)	(53,640)	(3,178)	(129,297)
Unallocated income				11
Unallocated expenses				(94,998)
Share of loss of associates				(3,392)
Finance costs				(2,056)
Loss before taxation and for the period				(229,732)

Segment profit (loss) represents the profit (loss) earned by each segment without allocation of central administration costs, directors' salaries, share of loss of associates, certain investment income and finance costs. This is the measure reported to the chief operating decisions maker for the purposes of resource allocation and performance assessment.

4. OTHER GAINS (LOSSES)

	Six months ended 31st January,	
	2010	2009
	HK$'000	*HK$'000*
Increase (decrease) in fair value of investments held for trading	**11,432**	(48,484)
Decrease in fair value of derivative component in convertible bonds	**—**	(2,325)
Loss on early redemption of convertible bonds	**(5,403)**	—
Increase (decrease) in fair value of derivative financial instruments	**445**	(5,212)
Dividend income from investments held for trading	**187**	803
	6,661	(55,218)

5. TAXATION

No provision for Hong Kong Profits Tax and tax in the People's Republic of China 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,	
	2010	2009
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**16,638**	3,199
Release of prepaid lease payments and premium on prepaid lease payment	**3,136**	513
Share-based payment expense	**—**	1,950
Loss on disposal of property, plant and equipment	**259**	—
Bank interest income	**(12)**	(18)

7. LOSS PER SHARE

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

	Six months ended 31st January, 2010 HK$'000	2009 HK$'000
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(38,265)**	(229,320)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	21,313,886,026	13,286,896,896

The computation of diluted loss per share for both periods does not include the effects of the outstanding share options because the assumed exercise of the share options would result in a decrease in loss per share.

8. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the invoice date.

	31st January, 2010 HK$'000	31st July, 2009 HK$'000
0 — 30 days	**3,022**	965
31 — 60 days	**77**	149
61 — 90 days	**106**	64
Over 90 days	**273**	154
	3,478	1,332

9. TRADE AND OTHER PAYABLES

The following is an analysis of trade payment by age, presented based on the invoice date.

	31st January, 2010 HK$'000	31st July, 2009 HK$'000
0 — 30 days	**4,204**	2,633
31 — 60 days	**1,596**	1,432
61 — 90 days	**775**	565
Over 90 days	**75**	73
	6,650	4,703

INTERIM DIVIDEND

The Directors do not recommend the payment of any dividends for the six months ended 31st January, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the results

The Group reported gross proceeds of approximately HK$153.1 million for the six months ended 31st January, 2010, which comprised mainly gross proceeds from sales of securities and income from hotel operations, as compared to HK$61.8 million for the same period last year.

Net loss attributable to owners of the Company for the six months ended 31st January, 2010 was HK$38.3 million, as compared to the net loss of HK$229.3 million for the same period last year.

Liquidity and financial resources

The Group continued to maintain a liquid position. At 31st January, 2010, the Group had bank balances and cash of HK$62.8 million (31st July, 2009: HK$40.9 million) mainly in Hong Kong dollars and marketable securities totalling HK$34.9 million (31st July 2009: HK$32.3 million).

Total borrowings were HK$245.2 million at 31st January, 2010 (31st July, 2009: HK$264.1 million), of which HK$7.8 million (31st July, 2009: HK$6.1 million) were repayable within one year.

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' fund, was 38.5% at 31st January, 2010 (31st July, 2009: 39.0%).

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, 2010, the principal activities of the Group are property investment and development, hotel operation, financial investment and related activities.

Property investment and development

The Group continues to own the vacant land of approximately 10,154 square meters located in Coloane, Macau for the construction of 48 luxury residential houses and related facilities with a total gross floor area of approximately 19,934 square meters. The Group is awaiting the government's approval for the commencement of the development.

The Group holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company, Sociedade de Investmento Imboiliaro Pun Keng Van, SARL. The site is for the development of a 57-storey luxurious residential building on the waterfront at Nam Van Lake. Due to the unfavourable property market condition in Macau, the project has been slowed down and its progress will be monitored closely.

Hotel operation

The Group hold 100% interest in Hotel Fortuna, Foshan, a hotel with 408 rooms located at Le Cong Zhen, Shun De District, Foshan, the PRC, through a wholly owned subsidiary, Foshan Fortuna Hotel Company Limited. After the Group acquired the operation on 31st December, 2008, the occupancy rate of the hotel has increased by 11.1% and recorded a turnover of approximately HK$93.7 million in 2009 compared to HK$87.9 million in 2008.

The Group also hold a 32.5% interest in Hotel Fortuna, Macau which is owned and operated by Tin Fok Holding Company Limited, an associated company of the Group. Despite the intensive competition in the Macau hotel industry, Hotel Fortuna, Macau continued to maintain a high occupancy rate of approximately 93% and recorded a stable turnover of approximately HK$181.8 million in 2009 when compared to the turnover of HK$184.0 million in 2008.

Prospects

The site of Hotel Fortuna, Foshan has an undeveloped portion with permissible gross floor area for residential and commercial uses of approximately 53,000 square meters. The Group will continue to work on the feasibility to realise fully such development potential and launch appropriate development plan at the right time.

As the global financial market has stabilised, the Group remains optimistic with the long term prospects of the property and hospitality sectors in Macau and the PRC. With a healthy financial position and stable income stream, the management is confident that the Group can capture the opportunities ahead and maximize the return for shareholders.

Contingent liability

At 31st January, 2010, the Group had no significant contingent liabilities.

Pledge of assets

At 31st January, 2010, hotel properties of HK$337,227,000 of the Group were pledged to secure bank borrowings of RMB131,000,000 (equivalent to approximately of HK$149,937,000) granted to the Group. Bank deposit of HK$641,000 of the Group was pledged to banks to secure credit facilities to the extent of HK$600,000 granted to the Group, of which HK$94,000 was utilised by the Group.

Audit committee

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2010.

Corporate governance

The Company complied throughout the six months ended 31st January, 2010 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for the following deviation:—

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, 2010.

Purchase, sale or redemption of the Company's listed securities

During the six months ended 31st January, 2010, 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
Sio Tak Hong
Chairman

Hong Kong, 23rd April, 2010

As at the date hereof, Mr. Sio Tak Hong, 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.