



CAPITAL ESTATE LIMITED  
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 193

# interim report | 2009/2010



## CONTENTS

	<i>PAGE(S)</i>
CORPORATE INFORMATION	2
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	3
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE INTERIM FINANCIAL STATEMENTS	9
INTERIM DIVIDEND	22
MANAGEMENT DISCUSSION AND ANALYSIS	22
OTHER INFORMATION	25

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Sio Tak Hong (*Chairman*)

Chu Nin Yiu, Stephen (*Chief Executive Officer*)

Chu Nin Wai, David (*Deputy Chairman*)

Lau Chi Kan, Michael

#### Independent Non-Executive Directors

Li Sze Kuen, Billy

Wong Kwong Fat

Leung Kam Fai

### COMPANY SECRETARY

Hung Yat Ming

### AUTHORISED REPRESENTATIVES

Chu Nin Yiu, Stephen

Hung Yat Ming

### AUDIT COMMITTEE

Li Sze Kuen, Billy

Wong Kwong Fat

Leung Kam Fai

### REMUNERATION COMMITTEE

Chu Nin Yiu, Stephen

Li Sze Kuen, Billy

Wong Kwong Fat

Leung Kam Fai

### LEGAL ADVISER

Richards Butler

### AUDITOR

Deloitte Touche Tohmatsu

*Certified Public Accountants, Hong Kong*

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited

### SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services  
Limited

Rooms 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

### REGISTERED OFFICE

17th Floor

Asia Orient Tower, Town Place

33 Lockhart Road

Wan Chai, Hong Kong

### STOCK CODE

193



### TO THE BOARD OF DIRECTORS OF CAPITAL ESTATE LIMITED

冠中地產有限公司

### INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 21, which comprise the condensed consolidated statement of financial position of Capital Estate Limited (the "Company") and its subsidiaries as of 31st January, 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23rd April, 2010

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2010

	NOTES	<b>Six months ended 31st January,</b>	
		<b>2010 HK\$'000 (unaudited)</b>	2009 HK\$'000 (unaudited)
Revenue	3	<b>56,974</b>	7,570
Direct cost		<b>(31,486)</b>	(5,397)
Gross profit		<b>25,488</b>	2,173
Other income		<b>2,408</b>	1,780
Other gains (losses)	4	<b>6,661</b>	(55,218)
Increase (decrease) in fair value of investment properties	8	<b>3,140</b>	(8,040)
Administrative expenses		<b>(47,420)</b>	(19,677)
Distribution expenses		<b>(1,225)</b>	(150)
Share of loss of associates		<b>(2,445)</b>	(3,392)
Finance costs		<b>(5,020)</b>	(2,056)
Impairment loss recognised on available-for-sale investments		—	(10,040)
Impairment loss recognised on properties for development	13	<b>(20,000)</b>	(64,033)
Impairment loss recognised on goodwill	20	—	(71,079)
Loss before taxation and for the period	6	<b>(38,413)</b>	(229,732)
<b>Other comprehensive income (expense)</b>			
Exchange differences arising on translation		<b>5,970</b>	(1,226)
Total comprehensive expense for the period		<b>(32,443)</b>	(230,958)
Loss attributable to:			
Owners of the Company		<b>(38,265)</b>	(229,320)
Minority interests		<b>(148)</b>	(412)
		<b>(38,413)</b>	(229,732)
Total comprehensive expense attributable to:			
Owners of the Company		<b>(32,295)</b>	(230,546)
Minority interests		<b>(148)</b>	(412)
		<b>(32,443)</b>	(230,958)
LOSS PER SHARE	7		
— Basic and diluted (HK cents)		<b>(0.180)</b>	(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)
<b>Non-current Assets</b>			
Investment properties	8	<b>35,300</b>	32,160
Property, plant and equipment	9	<b>450,344</b>	461,292
Prepaid lease payments		<b>13,056</b>	13,112
Premium on prepaid lease payments		<b>189,539</b>	190,268
Interests in associates	10	<b>221,268</b>	223,713
Available-for-sale investments	11	<b>59,850</b>	59,850
Convertible bond	12	<b>—</b>	41,845
Derivative component in convertible bond	12	<b>—</b>	6,883
		<b>969,357</b>	1,029,123
<b>Current Assets</b>			
Amount due from an associate		<b>109</b>	99
Properties for development	13	<b>227,200</b>	247,000
Inventories		<b>4,376</b>	2,599
Trade and other receivables	14	<b>14,133</b>	8,413
Prepaid lease payments		<b>408</b>	403
Investments held for trading		<b>34,864</b>	32,345
Pledged bank deposits		<b>641</b>	641
Restricted bank deposits		<b>—</b>	947
Bank balances and cash		<b>62,841</b>	40,905
		<b>344,572</b>	333,352
<b>Current Liabilities</b>			
Trade and other payables	15	<b>22,931</b>	20,050
Derivative financial instruments		<b>—</b>	1,056
Taxation payable		<b>25,548</b>	25,548
Bank borrowings — due within one year	16	<b>7,783</b>	6,110
		<b>56,262</b>	52,764
<b>Net current assets</b>			
		<b>288,310</b>	280,588
<b>Total assets less current liabilities</b>			
		<b>1,257,667</b>	1,309,711
<b>Non-current Liabilities</b>			
Bank borrowings — due after one year	16	<b>142,154</b>	144,377
Consideration payable for acquisition of subsidiaries	17	<b>95,276</b>	113,593
Deferred tax liabilities		<b>71,079</b>	71,079
		<b>308,509</b>	329,049
		<b>949,158</b>	980,662
<b>Capital and Reserves</b>			
Share capital	18	<b>213,169</b>	212,899
Share premium and reserves		<b>733,391</b>	765,017
<b>Equity attributable to owners of the Company</b>			
		<b>946,560</b>	977,916
Minority interests		<b>2,598</b>	2,746
		<b>949,158</b>	980,662

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2010

	Attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Share options reserve	Capital reduction reserve	Translation reserve	Capital redemption reserve	Revaluation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st August, 2008 (audited)	132,869	868,904	157	23,542	170,583	—	268	9,200	(203,672)	1,001,851	3,765	1,005,616
Exchange difference arising on translation	—	—	—	—	—	(1,226)	—	—	—	(1,226)	—	(1,226)
Loss for the period	—	—	—	—	—	—	—	—	(229,320)	(229,320)	(412)	(229,732)
Total comprehensive expense for the period	—	—	—	—	—	(1,226)	—	—	(229,320)	(230,546)	(412)	(230,958)
Recognition of equity-settled share based payments	—	—	—	1,950	—	—	—	—	—	1,950	—	1,950
Contribution from minority shareholder	—	—	—	—	—	—	—	—	—	—	100	100
Balance at 31st January, 2009 (unaudited)	132,869	868,904	157	25,492	170,583	(1,226)	268	9,200	(432,992)	773,255	3,453	776,708
Balance at 1st August, 2009 (audited)	212,899	987,432	157	25,462	170,583	2,811	268	9,200	(430,896)	977,916	2,746	980,662
Exchange difference arising on translation	—	—	—	—	—	5,970	—	—	—	5,970	—	5,970
Loss for the period	—	—	—	—	—	—	—	—	(38,265)	(38,265)	(148)	(38,413)
Total comprehensive income (expense) for the period	—	—	—	—	—	5,970	—	—	(38,265)	(32,295)	(148)	(32,443)
Exercise of share option	270	936	—	(267)	—	—	—	—	—	939	—	939
Balance at 31st January, 2010 (unaudited)	213,169	988,368	157	25,195	170,583	8,781	268	9,200	(469,161)	946,560	2,598	949,158

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2010

	NOTE	<b>Six months ended 31st January,</b>	
		<b>2010 HK\$'000 (unaudited)</b>	2009 HK\$'000 (unaudited)
Net cash from (used in) operating activities		<b>1,773</b>	(1,867)
Tax paid		—	(878)
		<b>1,773</b>	(2,745)
Net cash from (used in) investing activities:			
Principal of convertible bonds received		<b>44,000</b>	—
Other investing cash flows		<b>1,638</b>	946
Decrease in restricted bank deposits		<b>947</b>	4,338
Purchase of property, plant and equipment		<b>(702)</b>	(125)
Advance to an associate		<b>(10)</b>	—
Subscription of convertible bonds		—	(43,780)
Acquisition of a subsidiary	20	—	13,398
		<b>45,873</b>	(25,223)
Net cash (used in) from financing activities:			
Repayment of consideration for acquisition of a subsidiary		<b>(18,317)</b>	—
Interest paid		<b>(6,178)</b>	(894)
Repayment of bank loans		<b>(2,289)</b>	—
Proceed from exercise of share options		<b>939</b>	—
Proceeds from other borrowings		—	23,780
Repayment of other borrowings		—	(7,843)
Other financing cash flows		—	91
		<b>(25,845)</b>	15,134
Net increase (decrease) in cash and cash equivalents		<b>21,801</b>	(12,834)
Cash and cash equivalents at beginning of the period		<b>40,905</b>	39,743
Effect of foreign exchange rate change		<b>135</b>	58
Cash and cash equivalents at end of the period		<b>62,841</b>	26,967
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		<b>62,841</b>	26,967

# 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 <sup>1</sup>

<sup>1</sup> Amendments that are effective for annual period beginning on or after 1st July, 2009.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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).

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

<sup>1</sup> Amendments that are effective for annual periods beginning on or after 1st January, 2010

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>3</sup> Effective for annual periods beginning on or after 1st February, 2010

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2010

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2013

<sup>6</sup> 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.

### 3. SEGMENT INFORMATION (continued)

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*

	<b>Property HK\$'000</b>	<b>Financial investment HK\$'000</b>	<b>Hotel operations HK\$'000</b>	<b>Total HK\$'000</b>
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 HK\$'000	Financial investment HK\$'000	Hotel operations HK\$'000	Total 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)

### 3. SEGMENT INFORMATION (continued)

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)

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

	<b>Six months ended 31st January,</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>16,638</b>	3,199
Release of prepaid lease payments and premium on prepaid lease payment	<b>3,136</b>	513
Share-based payment expense	<b>—</b>	1,950
Loss on disposal of property, plant and equipment	<b>259</b>	—
Bank interest income	<b>(12)</b>	(18)

## 7. LOSS PER SHARE

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

	<b>Six months ended 31st January,</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<b>(38,265)</b>	(229,320)
	<b>Number of shares</b>	<b>Number of shares</b>
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. INVESTMENT PROPERTIES

All of the Group's property interests in properties held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31st January, 2010 have been arrived at on the basis of a valuation carried out on that date by American Appraisal China Limited, independent professional qualified valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The resulting increase in fair value of investment properties of HK\$3,140,000 has been recognised in profit or loss for the six months ended 31st January, 2010 (six months ended 31st January, 2009: decrease in fair value of HK\$8,040,000).

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$702,000 (for the six months ended 31st January, 2009: HK\$466,156,000, in which, approximately HK\$466,031,000 are resulted from acquisition of a subsidiary as disclosed in note 20).

## 10. INTERESTS IN ASSOCIATES

	<b>31st January, 2010 HK\$'000</b>	31st July, 2009 HK\$'000
Cost of unlisted investments in associates	<b>241,523</b>	241,523
Share of post-acquisition results	<b>(20,255)</b>	(17,810)
	<b>221,268</b>	223,713

## 11. AVAILABLE-FOR-SALE INVESTMENTS

	<b>31st January, 2010 HK\$'000</b>	31st July, 2009 HK\$'000
Unlisted equity securities, at cost	<b>69,890</b>	69,890
Impairment loss recognised	<b>(10,040)</b>	(10,040)
	<b>59,850</b>	59,850

The available-for-sale investments represent investments in unlisted equity securities issued by private entities incorporated in Macau and United States of America. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

## 12. CONVERTIBLE BOND/DERIVATIVE COMPONENT IN CONVERTIBLE BOND

During the year ended 31st July, 2009, the Group subscribed a convertible bond issued by a company listed on the Stock Exchange of Hong Kong Limited, with principal amount of HK\$44,000,000 which carries interest at 4% per annum payable semi-annually in arrears with maturity on 18th August, 2010 at redemption amount of 100% of the principal amount. The convertible bond can be converted at any time from the date of issue to the maturity date. During the period, the convertible bond has been early redeemed by the issuer fully and the principal amount of HK\$44,000,000 has been repaid to the Group. A loss on the redemption of HK\$5,403,000 has been recognised in profit or loss for the six months ended 31st January, 2010 (six months ended 31st January, 2009: Nil).

### 13. PROPERTIES FOR DEVELOPMENT

Properties for development represent leasehold land located in Macau for development for future sale in the ordinary course of business. Cost comprises the costs of land use rights under medium-term lease and other costs directly attributable to bringing the leasehold land to the condition necessary for it to be ready for development. Properties for development are stated at lower of cost and net realizable value. No finance cost on development has been capitalized. During the period, impairment loss of HK\$20,000,000 has been recognised (six months ended 31st January, 2009: impairment loss of HK\$64,033,000) on properties for development.

### 14. 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.

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

### 15. TRADE AND OTHER PAYABLES

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

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

## 16. BANK BORROWINGS

The Group repaid approximately HK\$2,289,000 during the period. The bank borrowings carried interest at prevailing market rates and is repayable in instalments over five years. The proceeds were used to repay loans from related parties and for general working capital purpose of the Group.

## 17. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The amount is repayable on or before 31st December, 2011 and carries interest at the rate of 2% per annum.

Principal amounting to HK\$18,317,000 and interest amounting to HK\$2,252,000 (for the six months ended 31st January, 2009: nil) has been settled during the period and the remaining balance of the accrued interest was included in other payables as at 31st January, 2010.

## 18. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Amount</b> HK\$'000
Ordinary shares		
Authorised:		
At 1st August, 2009 and 31st January, 2010, at HK\$0.01 each	200,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2009 at HK\$0.01 each	21,289,896,896	212,899
Exercise of share option (Note)	27,000,000	270
At 31st January, 2010	21,316,896,896	213,169

Note: In August and November 2009, the Company issued 27,000,000 ordinary shares of HK\$0.01 each in the Company for cash at HK\$0.0348 per share, as a result of the exercise of share options granted to directors. The new shares rank pari passu in all respects with the then existing issued shares.

## 19. SHARE BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	194,000,000
Exercised during the period	<u>(27,000,000)</u>
Outstanding at the end of the period	<u>167,000,000</u>

The weighted average share price of the Company's share at the dates on which the options were exercised was HK\$0.048.

The Binomial Option Pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group has recognised total expenses in profit or loss of HK\$1,950,000 for the six months ended 31st January, 2009 related to the share options granted. No share options was granted during six months ended 31st January, 2010.

## 20. ACQUISITION OF SUBSIDIARIES

During the six months ended 31st January, 2009, the Company acquired the entire issued share capital of Hotel Fortuna (Hong Kong) Company Limited ("Hotel Fortuna (Hong Kong)") and its subsidiaries (collectively referred as "Fortuna Group") at a consideration of approximately HK\$533,982,000. After the completion of the acquisition, Hotel Fortuna (Hong Kong) has become a wholly owned subsidiary of the Company.

The net (liabilities) assets acquired in the transaction were as follows:

	<b>Hotel Fortuna (Hong Kong)'s carrying amount</b>	<b>Fair value adjustments</b>	<b>Hotel Fortuna (Hong Kong)'s Fair value</b>
	HK\$'000	HK\$'000	HK\$'000
Net (liabilities) assets acquired:			
Property, plant and equipment	374,185	91,846	466,031
Prepaid lease payments	13,671	—	13,671
Premium on prepaid lease payments	—	192,468	192,468
Inventory	2,845	—	2,845
Trade and other receivables	4,799	—	4,799
Bank balances and cash	13,398	—	13,398
Trade and other payables	(22,412)	—	(22,412)
Loans from related parties	(136,456)	—	(136,456)
Loans from ex-shareholders	(424,014)	—	(424,014)
Deferred tax liabilities	—	(71,079)	(71,079)
Obligation under a finance lease	(362)	—	(362)
	<u>(174,346)</u>	<u>213,235</u>	<u>38,889</u>
Goodwill arising on acquisition			<u>71,079</u>
			<u>109,968</u>
Total consideration satisfied by:			
Deposit paid in previous year			250,000
Consideration payable for acquisition of subsidiaries			<u>283,982</u>
			533,982
Loans from ex-shareholders transferred to the Group			<u>(424,014)</u>
			<u>109,968</u>
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			<u>13,398</u>

## 20. ACQUISITION OF SUBSIDIARIES (continued)

Goodwill of approximately HK\$71,079,000 had been recognised upon the completion of the acquisition of Fortuna Group. The recoverable amount of the Fortuna Group's cash generating unit, determined by value in use with reference to the discounted cash flow of this cash generating unit was lower than its carrying amount. Accordingly, the goodwill had been fully impaired and recognised in profit or loss for the six months ended 31st January, 2009.

## 21. PLEDGE OF ASSETS

At 31st January, 2010, hotel properties of HK\$337,227,000 (31st July, 2009: HK\$338,638,000) of the Group were pledged to secure bank borrowings. Bank deposit of HK\$641,000 (31st July, 2009: HK\$641,000) of the Group was pledged to banks to secure credit facilities to the extent of HK\$600,000 (31st July, 2009: HK\$600,000) granted to the Group, of which HK\$94,000 (31st July, 2009: HK\$23,000) was utilised by the Group.

## 22. RELATED PARTY DISCLOSURES

Compensation of key management personnel:

The remuneration of directors and other members of key management during the period was as follows:

	<b>Six months ended 31st January,</b>	
	<b>2010 HK\$'000</b>	2009 HK\$'000
Short-term benefits	<b>1,756</b>	1,756
Share-based payments	—	1,752
	<b>1,756</b>	3,508

The remuneration of directors and key executives is determined by the board of directors after recommendation from the Remuneration Committee, having regard to the performance of individuals and market trends.

## 23. EVENT AFTER REPORTING PERIOD

On 13th April, 2010, the Company announced that the board of directors of the Company proposes (i) to implement a share consolidation on the basis that every ten issued and unissued share of the Company of HK\$0.01 each be consolidated into one consolidated share of HK\$0.10 each ("Share Consolidation"); and (ii) to refresh the limit on number of shares which may be issued upon exercise of all options to be granted under the Company's share option scheme ("Scheme Mandate Limit").

The proposed Share Consolidation and refreshment of Scheme Mandate Limit are subject to approval by the shareholders of the Company at the extraordinary general meeting to be held on 7th May, 2010 and The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the consolidated shares and the shares which may be issued upon exercise of options to be granted under the Company's share option scheme within the refreshed Scheme Mandate Limit.

## 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 Investimento Imobiliario 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.

## EMPLOYEES

The Group offers its employees competitive remuneration packages to commensurate with their experience, performance and job nature, which include basic salary, bonuses, share options, retirement and other benefits.

## OTHER INFORMATION

### SHARE OPTIONS

Pursuant to a resolution passed on 30th December 2002, the existing share option scheme was adopted (the "Scheme").

The following table discloses movements in the Scheme of the Company during the period under review:

	Date of Grant	Exercisable period	Exercise price HK\$	Outstanding at 1.8.2009	Granted during the Period	Exercised during the period	Cancelled during the Period	Outstanding at 31.1.2010
<b>Category 1: Directors</b>								
Chu Nin Yiu, Stephen (note)	19.09.2008	19.09.2008 -18.03.2010	0.0348	117,000,000	—	—	—	117,000,000
Li Sze Kuen, Billy	19.09.2008	19.09.2008 -18.03.2010	0.0348	20,000,000	—	—	—	20,000,000
Wong Kwong Fat	19.09.2008	19.09.2008 -18.03.2010	0.0348	17,000,000	—	7,000,000	—	10,000,000
Leung Kam Fai	19.09.2008	19.09.2008 -18.03.2010	0.0348	20,000,000	—	20,000,000	—	—
				174,000,000	—	27,000,000	—	147,000,000
<b>Category 2: Employees</b>								
Employees	19.09.2008	19.09.2008 -18.03.2010	0.0348	20,000,000	—	—	—	20,000,000
				20,000,000	—	—	—	20,000,000
Total all categories				194,000,000	—	27,000,000	—	167,000,000

Note: Mr. Chu Nin Yiu, Stephen is also a substantial shareholder of the Company.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st January, 2010, the interests of the directors and chief executive and their associates in the shares, and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities

and Futures Ordinance (the “SFO”), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

## LONG POSITIONS

### (I) The Company

#### (a) Ordinary shares of HK\$0.01 each of the Company

Name of Director	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporated interest (interest of controlled corporation)		
Sio Tak Hong (“Mr. Sio”)	—	244,910,000	8,000,000,000 (Note 1)	8,244,910,000	38.7%
Chu Nin Yiu, Stephen (“Mr. Chu”)	—	—	3,334,474,000 (Note 2)	3,334,474,000	15.6%
Lau Chi Kan, Michael	75,000	—	—	75,000	0.0%

Notes:

1. Mr. Sio was deemed to be interested in the 8,000,000,000 shares of the Company held through Fullkeen Holdings Limited (“Fullkeen”), which was in turn 70% owned by Mr. Sio.
2. Mr. Chu was deemed to be interested in the 3,334,474,000 shares of the Company held through Supervalue Holdings Limited (“Supervalue”), which was in turn wholly owned by Mr. Chu.

(b) *Share options*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Mr. Chu	Beneficial owner	117,000,000	117,000,000
Li Sze Kuen, Billy	Beneficial owner	20,000,000	20,000,000
Wong Kwong Fat	Beneficial owner	10,000,000	10,000,000
		<hr/>	<hr/>
		147,000,000	147,000,000

(II) *Associated corporation*

<b>Name of Director</b>	<b>Associated Corporation</b>	<b>Number of shares held</b>			<b>Total</b>	<b>Percentage of the issued share capital of the associated corporation</b>
		<b>Personal interest (held as Beneficial owner)</b>	<b>Family Interest (interests of spouse or child under 18)</b>	<b>Corporated interest (interest of controlled corporation)</b>		
Mr. Sio	Tin Fok Holdings Company Limited	—	—	1,100 (Note)	1,100	55.0%

Note: Mr. Sio was deemed to be interested in the 1,100 shares in the associated corporation held through Global Master Management Limited, which is in turn 70% owned by Mr. Sio.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares and underlying shares of the Company or any of its associated corporations as at 31st January, 2010.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section "Share Options"; at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS

As at 31st January, 2010, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company:

### LONG POSITIONS

#### (a) Ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Number of shares held			Total	Percentage of the issued share capital of the Company
	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporated interest (interest of controlled corporation)		
Fullkeen	8,000,000,000	—	—	8,000,000,000	37.5%
Mr. Sio	—	244,910,000	8,000,000,000 (Note 1)	8,244,910,000	38.7%
Supervalve	3,334,474,000	—	—	3,334,474,000	15.6%
Mr. Chu	—	—	3,334,474,000 (Note 2)	3,334,474,000	15.6%

Notes:

1. Mr. Sio was deemed to be interested in the 8,000,000,000 shares of the Company held through Fullkeen, which was in turn 70% owned by Mr. Sio.
2. Mr. Chu was deemed to be interested in the 3,334,474,000 shares of the Company held through Supervalve, which was in turn wholly owned by Mr. Chu.

(b) Share options

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Mr. Chu	Beneficial owner	117,000,000	117,000,000

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st January, 2010.

## 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.

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.*