



CAPITAL ESTATE LIMITED  
冠中地產有限公司

(Incorporated in Hong Kong with limited Liability)  
Stock Code : 193

Interim Report **2006**

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## **CORPORATE INFORMATION**

### **Board of Directors**

#### ***Executive Directors***

Chu Nin Yiu, Stephen (*Executive Chairman*)  
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 Advisers**

Richards Butler

### **Auditors**

Deloitte Touche Tohmatsu  
Certified Public Accountants, Hong Kong

### **Principal Bankers**

The Hongkong and Shanghai Banking  
Corporation Limited  
Wing Hang Bank, Limited

### **Share Registrars and Transfer Office**

Computershare Hong Kong Investor  
Services Limited  
Rooms 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

### **Registered Office**

Unit 1901, 19th Floor  
Asia Orient Tower, Town Place  
33 Lockhart Road  
Wan Chai, Hong Kong

### **Stock Code**

193

# Deloitte.

## 德勤

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

#### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 16.

#### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, 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.

#### Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.



## **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st January, 2007.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

25th April, 2007

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2007

	NOTES	Six months ended 31st January,	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover	3	<b>381,760</b>	47,744
Property rental income		<b>283</b>	210
Estate agency income		<b>2,294</b>	2,611
Net realised gain (loss) on disposal of investments held for trading/derivative financial instruments		<b>16,370</b>	(5,225)
Changes in fair value of investments held for trading		<b>236,021</b>	3,577
Changes in fair value of derivative financial instruments		<b>880</b>	848
Direct cost on property rental		<b>(811)</b>	(850)
Direct cost on estate agency services		<b>(1,185)</b>	(1,417)
Other income		<b>3,979</b>	7,190
Administrative expenses		<b>(8,009)</b>	(6,374)
Increase (decrease) in fair value of investment properties		<b>719</b>	(1,844)
Impairment loss on goodwill		<b>(780)</b>	—
Finance costs		<b>(271)</b>	(283)
Profit (loss) before taxation	4	<b>249,490</b>	(1,557)
Taxation	5	<b>(42,660)</b>	—
Profit (loss) for the period		<b>206,830</b>	(1,557)
Attributable to:			
Equity holders of the Company		<b>206,847</b>	(1,582)
Minority interests		<b>(17)</b>	25
		<b>206,830</b>	(1,557)
Earnings (loss) per share	6		Restated
— Basic		<b>3.94 HK cents</b>	(0.06 HK cents)

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 31ST JANUARY, 2007

	NOTES	31.1.2007 HK\$'000 (unaudited)	31.7.2006 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	8	35,287	34,568
Property, plant and equipment		543	814
Deferred tax assets	9	49	49
Goodwill		3,413	4,193
Available-for-sale investments	10	116,250	116,250
		<b>155,542</b>	155,874
<b>Current assets</b>			
Properties held for sale		206	206
Derivative financial instruments		—	283
Trade and other receivables	11	20,144	13,455
Investments held for trading	12	389,455	101,826
Deposit paid for possible acquisition of an unlisted investment	13	10,000	—
Promissory note receivables	14	—	4,000
Taxation recoverable		61	75
Certificate of deposits		—	8,996
Pledged bank deposits		622	614
Bank balances and cash		196,251	237,318
		<b>616,739</b>	366,773
<b>Current liabilities</b>			
Trade and other payables	15	13,660	12,803
Derivative financial instruments		—	1,163
Taxation payable		54,198	11,595
Bank borrowings — due within one year	16	999	903
Bank overdrafts		—	84
		<b>68,857</b>	26,548
Net current assets		<b>547,882</b>	340,225
Total assets less current liabilities		<b>703,424</b>	496,099

	<i>NOTES</i>	<b>31.1.2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.7.2006 HK\$'000 (audited)
<hr/>			
Non-current liability			
Bank borrowings — due after one year	16	<b>5,436</b>	5,920
		<b>697,988</b>	490,179
<hr/>			
Capital and reserves			
Share capital	17	<b>16,936</b>	338,717
Reserves		<b>679,851</b>	150,244
<hr/>			
Equity attributable to equity holders of the Company		<b>696,787</b>	488,961
Minority interests		<b>1,201</b>	1,218
		<b>697,988</b>	490,179
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 31ST JANUARY, 2007

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Warrants reserve	Share options reserve	Capital reduction reserve	Capital redemption reserve	Convertible notes equity reserve	Accumulated (losses) profits	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 31st July, 2005	52,544	51,866	157	—	—	170,583	268	92	(116,205)	159,305	1,126	160,431
Loss for the period and total recognised (expense) income for the period	—	—	—	—	—	—	—	—	(1,582)	(1,582)	25	(1,557)
Issue of shares on rights issue	210,176	—	—	—	—	—	—	—	—	210,176	—	210,176
Conversion of convertible notes	2,211	1,009	—	—	—	—	—	(92)	—	3,128	—	3,128
Expenses incurred in connection with issue of shares	—	(4,184)	—	—	—	—	—	—	—	(4,184)	—	(4,184)
Balance at 31st January, 2006	264,931	48,691	157	—	—	170,583	268	—	(117,787)	366,843	1,151	367,994
Profit for the period and total recognised income for the period	—	—	—	—	—	—	—	—	30,482	30,482	57	30,539
Issue of shares on private placement	52,800	264	—	—	—	—	—	—	—	53,064	—	53,064
Issue of warrants	—	—	—	13,247	—	—	—	—	—	13,247	—	13,247
Exercise of warrants	20,986	5,247	—	(5,247)	—	—	—	—	—	20,986	—	20,986
Expenses incurred in connection with issue of shares	—	(1,622)	—	—	—	—	—	—	—	(1,622)	—	(1,622)
Recognition of equity-settled share-based payments	—	—	—	—	5,961	—	—	—	—	5,961	—	5,961
Capital contribution from a minority shareholder	—	—	—	—	—	—	—	—	—	—	10	10
Balance at 31st July, 2006	338,717	52,580	157	8,000	5,961	170,583	268	—	(87,305)	488,961	1,218	490,179
Profit for the period and total recognised income (expense) for the period	—	—	—	—	—	—	—	—	206,847	206,847	(17)	206,830
Capital reduction	(321,781)	321,781	—	—	—	—	—	—	—	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	979	—	—	—	—	979	—	979
Balance at 31st January, 2007	16,936	374,361	157	8,000	6,940	170,583	268	—	119,542	696,787	1,201	697,988

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2007

	Six months ended 31st January,	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Net cash used in operating activities	(47,111)	(34,252)
Tax paid	(43)	(150)
	<b>(47,154)</b>	(34,402)
Net cash from (used in) investing activities:		
Proceeds from redemption of certificate of deposit	9,000	—
Proceeds from repayment of promissory note receivables	4,000	2,000
Deposit paid for possible acquisition of an unlisted investment	(10,000)	—
Increase in pledged bank deposits	(8)	—
Purchase of property, plant and equipment	(7)	(241)
Repayment of advances to third parties	—	30,000
Acquisition of available-for-sale investments	—	(60,000)
Advances to third parties	—	(30,000)
Other investing cash flows	3,849	—
	<b>6,834</b>	(58,241)
Net cash (used in) from financing activities:		
Proceeds from issue of shares	—	210,176
Expenses paid in connection with the issue of shares	—	(4,184)
Repayment of bank loans	(388)	(425)
Other financing cash flows	(275)	—
	<b>(663)</b>	205,567
Net (decrease) increase in cash and cash equivalents	<b>(40,983)</b>	112,924
Cash and cash equivalents at beginning of the period	<b>237,234</b>	70,087
Cash and cash equivalents at end of the period, representing bank balances and cash	<b>196,251</b>	183,011

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2007

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

<sup>3</sup> Effective for annual periods beginning on or after 1st November, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st March, 2007

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

### 3. SEGMENT INFORMATION

#### Business Segments

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

#### *For the six months ended 31st January, 2007*

	Property rental	Financial investment	Property sale	Estate agency	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>					
External sales	283	379,183	—	2,294	381,760
<b>SEGMENT RESULT</b>					
	177	250,831	—	(50)	250,958
Unallocated corporate income					3,340
Unallocated corporate expenses					(4,537)
Finance costs					(271)
Profit before taxation					249,490

#### *For the six months ended 31st January, 2006*

	Property rental	Financial investment	Property sale	Estate agency	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>					
External sales	210	44,923	—	2,611	47,744
<b>SEGMENT RESULT</b>					
	(2,790)	3,833	(5)	74	1,112
Unallocated corporate income					2,572
Unallocated corporate expenses					(4,958)
Finance costs					(283)
Loss before taxation					(1,557)

#### 4. PROFIT (LOSS) BEFORE TAXATION

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

#### 5. TAXATION

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

No provision for Hong Kong Profits Tax has been made for the six months ended 31st January, 2006 as the Group had no assessable profit for that period.

#### 6. EARNINGS (LOSS) PER SHARE

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

	<b>Six months ended 31st January,</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings (loss) for the purposes of basic earnings (loss) per share	<b>206,847</b>	(1,582)
	<b>Number of shares</b>	<b>Number of shares (restated)</b>
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<b>5,250,798,189</b>	2,685,817,468

For the purpose of calculating the basic and diluted earnings (loss) per share, the weighted average number of ordinary shares for the six months ended 31st January, 2007 and 2006 had been adjusted to reflect the rights issue as set out in note 18.

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

## 7. DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

## 8. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 31st January, 2007 have been arrived at on the basis of a valuation carried out on that date by Norton Appraisals Limited, independent qualified professional valuers not connected to the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests on freehold land or under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

## 9. DEFERRED TAX ASSETS

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the six months ended 31st January, 2007 and 2006:

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
Balance at 31st July, 2005	1,350	(1,356)	(6)
Charge (credit) to consolidated income statement	24	(24)	—
Balance at 31st January, 2006	1,374	(1,380)	(6)
Charge (credit) to consolidated income statement	93	(136)	(43)
Balance at 31st July, 2006	1,467	(1,516)	(49)
Charge (credit) to consolidated income statement	42	(42)	—
Balance at 31st January, 2007	1,509	(1,558)	(49)

At 31st January, 2007, the Group had unused tax losses of HK\$56,287,000 (31st July, 2006: HK\$59,402,000) available for offset against future profits and taxable temporary difference of HK\$8,921,000 (31st July, 2006: HK\$8,668,000) in respect of accelerated tax depreciation. A deferred tax asset and a deferred tax liability have been recognised in respect of HK\$8,903,000 (31st July, 2006: HK\$8,663,000) and HK\$8,621,000 (31st July, 2006: HK\$8,383,000) of such losses and taxable temporary difference. No deferred tax assets and deferred tax liabilities have been recognised in respect of the remaining unused losses of HK\$47,384,000 (31st July, 2006: HK\$50,739,000) and the taxable temporary differences of HK\$300,000 (31st July, 2006: HK\$285,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

## 10. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments represent investments in unlisted equity securities issued by private entities incorporated in Macau. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair value cannot be measured reliably.

## 11. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 to 90 days to its trade customers. At 31st January, 2007, the balance of trade and other receivables included trade receivables of HK\$3,040,000 (31st July, 2006: HK\$2,824,000). An aged analysis of trade receivables at the reporting date is as follows:

	<b>31st January, 2007</b>	31st July, 2006
	<b>HK\$'000</b>	HK\$'000
0 to 60 days	<b>782</b>	662
61 to 90 days	<b>215</b>	208
91 days or above	<b>2,043</b>	1,954
	<b>3,040</b>	2,824

## 12. INVESTMENTS HELD FOR TRADING

Investments held for trading at 31st January, 2007 represent equity securities listed in Hong Kong which are carried at market value, determined based on the quoted market bid prices available on the Stock Exchange.

### 13. DEPOSIT PAID FOR POSSIBLE ACQUISITION OF AN UNLISTED INVESTMENT

The deposit paid for possible acquisition of an unlisted investment represents a deposit paid for the proposed acquisition of a 45% interest in the issued share capital of Fulvid Investment Company Limited ("Fulvid"), a company incorporated in Macau, and/or its related shareholders' loan for a total consideration of not more than HK\$330 million (subject to satisfactory completion of a due diligence review by the Company and entering into of definitive agreements between the parties). The principal asset of Fulvid is its majority interest in an office development, namely Wealth Management and IT Center of Macau 澳門財富管理科技中心, situated in Macau.

### 14. PROMISSORY NOTE RECEIVABLES

During the six months ended 31st January, 2007, the promissory note receivables of HK\$4,000,000 were fully settled.

### 15. TRADE AND OTHER PAYABLES

At 31st January, 2007, the balance of trade and other payables included trade payables of HK\$1,255,000 (31st July, 2006: HK\$618,000). An aged analysis of trade payables at the reporting date is as follows:

	<b>31st January, 2007 HK\$'000</b>	31st July, 2006 HK\$'000
0 to 60 days	950	246
61 to 90 days	127	92
91 days or above	178	280
	<b>1,255</b>	618

### 16. BANK BORROWINGS

During the six months ended 31st January, 2007, the Group settled bank loans of HK\$388,000. The loans bear interest at prevailing market rates ranging from 7% to 7.25% and are repayable in instalments over the remaining period of 6 years.



## 17. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares		
Authorised:		
At 1st August, 2006, at HK\$0.20 each	10,000,000,000	2,000,000
Capital reduction	—	(1,900,000)
At 31st January, 2007, at HK\$0.01 each	10,000,000,000	100,000
Issued and fully paid:		
At 1st August, 2006, at HK\$0.2 each	1,693,587,340	338,717
Capital reduction	—	(321,781)
At 31st January, 2007, at HK\$0.01 each	1,693,587,340	16,936

Note: Pursuant to a special resolution passed on 6th September, 2006, the adjustment to the nominal value of the ordinary shares of the Company by way of capital reduction (the "Capital Reduction"), as detailed in the circular issued by the Company dated 14th August, 2006, has been approved. The Capital Reduction involved the reduction of the nominal value of each of the issued ordinary share from HK\$0.20 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.19 on each share, and the crediting of the amount of HK\$321,781,000 arising from the Capital Reduction to the share premium account of the Company. Immediately after the Capital Reduction becoming effective, the authorised share capital and the issued share capital of the Company were changed to HK\$100,000,000 and HK\$16,936,000, respectively.

## 18. POST BALANCE SHEET EVENT

Pursuant to a circular dated 16th February, 2007, a prospectus dated 13th March, 2007 and resolutions passed on 12th March, 2007, the authorised share capital of the Company was increased from HK\$100 million to HK\$2,000 million by the creation of 190,000 million shares of HK\$0.01 each (the "Capital Increase").

In addition, the Company raised approximately HK\$220.2 million before expenses by way of a rights issue on the basis of five rights shares for every share held on 12th March, 2007 after the Capital Increase became effective. The transaction was completed in April 2007. The net proceeds of approximately HK\$215.0 million raised will be used to finance future investment opportunities.

## **INTERIM DIVIDEND**

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of the results**

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

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

### **Liquidity and financial resources**

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

### **Exchange rate exposure**

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

## Business review

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

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

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

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

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

## Prospects

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

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

## **Contingent liability**

At 31st January, 2007, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary where were utilised to the extent of to HK\$ 6,361,000 (31st July, 2006: HK\$6,906,000 ).

## **Pledge of assets**

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

## **Employees**

The Group offers its employees competitive remuneration packages which commensurate with their experience, performance and job nature.

## 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 1.8.2006	Granted During the year	Cancelled during the year	Outstanding at 31.1.2007
<b>Category 1: Directors</b>							
Chu Nin Yiu, Stephen	17.7.2006	17.7.2006 - 29.12.2012	0.0677*	48,055,762*	—	—	48,055,762*
Chu Nin Wai, David	17.7.2006	17.7.2006 - 29.12.2012	0.0677*	48,055,762*	—	—	48,055,762*
Lau Chi Kan, Michael	17.7.2006	17.7.2006 - 29.12.2012	0.0677*	48,055,762*	—	—	48,055,762*
				144,167,286	—	—	144,167,286
<b>Category 2: Employees</b>							
Other employees	13.9.2006	13.9.2006 - 29.12.2012	0.0484*	—	52,086,245*	—	52,086,245*
Total				144,167,286	52,086,245	—	196,253,531

\* The number and exercise price of the share options have been adjusted in the above table in view of the rights issue completed in April 2007.

No share options were cancelled, lapsed or exercised during the period.

### Directors' and chief executive's interests and short positions in shares and underlying shares

At 31st January, 2007, 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**

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

<b>Name of director</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Chu Nin Yiu, Stephen ("Mr. Chu")	Held by controlled corporation ( <i>Note</i> )	381,396,500	22.52%

*Note:* The 381,396,500 shares were held by Supervalue Holdings Limited, which was in turn wholly owned by Mr. Chu. Mr. Chu was therefore deemed to be interested in 381,396,500 shares of the Company.

(b) *Share options*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of underlying shares</b>
Mr. Chu	Beneficial owner	48,055,762*
Chu Nin Wai, David	Beneficial owner	48,055,762*
Lau Chi Kan, Michael	Beneficial owner	48,055,762*
		<u>144,167,286</u>

\* The number and exercise price of the share options have been adjusted in view of the rights issue completed in April 2007.

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, 2007.

## 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, 2007, 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

*Ordinary shares of HK\$0.01 each of the Company*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Supervalue Holdings Limited	Beneficial owner	381,396,500	22.52%
Mr. Chu	Held by controlled corporation (Note)	381,396,500	22.52%

The Company has not been notified of any other relevant interests or short position in the issued share capital of the Company as at 31st January, 2007.

Note: The 381,396,000 shares were beneficially owned by Supervalue Holdings Limited, which was in turn wholly-owned by Mr. Chu. Mr. Chu was therefore deemed to be interested in 381,396,500 shares of the Company

## **Audit committee**

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

## **Corporate governance**

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

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

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

2. Under Code A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors of the Company are not appointed for a specific term as they are subject to rotation at annual general meetings in accordance with Article 103(A) of the Company's Articles of Association.

## **Model code for securities transactions**

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



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

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

By Order of the Board  
**CAPITAL ESTATE LIMITED**  
**Chu Nin Yiu, Stephen**  
*Executive Chairman*

Hong Kong, 25th April, 2007

*As at the date hereof, Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael are the executive directors of the Company, and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai are the independent non-executive directors.*