



2007-2008 Interim Report



CAPITAL ESTATE LIMITED
冠中地產有限公司
(Incorporated in Hong Kong with limited liability)
Stock Code: 193

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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 Adviser

Richards Butler

Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants, Hong Kong

Principal Banker

The Hongkong and Shanghai Banking
Corporation 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



INDEPENDENT INTERIM REVIEW REPORT

Deloitte. 德勤

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 27, which comprises the condensed consolidated balance sheet of Capital Estate Limited as of 31st January, 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors 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 enquiries, 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

25th April, 2008



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2008

	NOTES	Six months ended 31st January,	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Continuing operations			
Property rental income	3	284	283
Direct costs on property rental		(788)	(811)
Gross loss		(504)	(528)
Other income		3,571	3,583
Other (losses) gains	4	(142,146)	253,497
Increase in fair value of investment properties		5,794	719
Administrative expenses		(14,965)	(6,680)
Share of profits of associates		1,830	—
Finance costs		(103)	(271)
(Loss) profit before taxation		(146,523)	250,320
Taxation	5	—	(42,660)
(Loss) profit for the period from continuing operations		(146,523)	207,660
Discontinued operation			
Loss for the period from discontinued operation	6	—	(830)
(Loss) profit for the period	7	(146,523)	206,830
Attributable to:			
Equity holders of the Company		(146,518)	206,847
Minority interests		(5)	(17)
		(146,523)	206,830
(Loss) earnings per share	8		
From continuing and discontinued operations			
— Basic		(1.239) HK cents	3.939 HK cents
From continuing operations			
— Basic		(1.239) HK cents	3.955 HK cents



CONDENSED CONSOLIDATED BALANCE SHEET

At 31st January, 2008

	NOTES	31.1.2008 HK\$'000 (unaudited)	31.7.2007 HK\$'000 (audited)
Non-current assets			
Investment properties	10	43,622	37,828
Property, plant and equipment		3,346	3,731
Prepaid lease payments		6,811	7,265
Interests in associates	11	233,252	392,499
Available-for-sale investments	12	69,890	56,250
		356,921	497,573
Current assets			
Properties held for sale		206	206
Properties held for development		301,033	—
Derivative financial instruments	13	181	—
Prepaid lease payments		908	908
Trade and other receivables	14	42,044	7,402
Investments held for trading	15	113,981	266,127
Pledged bank deposits		638	630
Restricted bank deposits		108,318	5,585
Bank balances and cash		224,751	151,464
		792,060	432,322
Current liabilities			
Trade and other payables	16	27,829	6,401
Derivative financial instruments	13	13,223	775
Financial liabilities at fair value through profit or loss	17	12,920	—
Taxation payable		34,308	34,308
Bank borrowings — due within one year	18	95	1,039
		88,375	42,523
Net current assets		703,685	389,799
Total assets less current liabilities		1,060,606	887,372
Non-current liability			
Bank borrowings — due after one year	18	—	4,937
		1,060,606	882,435
Capital and reserves			
Share capital	19	132,869	107,598
Share premium and reserves		923,971	774,837
Equity attributable to equity holders of the Company		1,056,840	882,435
Minority interests		3,766	—
		1,060,606	882,435



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2008

	Attributable to equity holders of the Company											
	Share capital	Share premium	Capital reserve	Warrants reserve	Share options reserve	Capital reduction reserve	Capital redemption reserve	Revaluation reserve	Accumulated (losses) profits	Total	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1st August, 2006 (audited)	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 (unaudited)	16,936	374,361	157	8,000	6,940	170,583	268	—	119,542	696,787	1,201	697,988
Loss for the period and total recognised (expense) income for the period	—	—	—	—	—	—	—	—	(121,707)	(121,707)	185	(121,522)
Issue of shares on rights issue	84,680	135,487	—	—	—	—	—	—	—	220,167	—	220,167
Exercise of warrants	4,571	35,429	—	(8,000)	—	—	—	—	—	32,000	—	32,000
Exercise of share options	1,411	15,254	—	—	(5,812)	—	—	—	—	10,853	—	10,853
Expenses incurred in connection with issue of shares	—	(5,280)	—	—	—	—	—	—	—	(5,280)	—	(5,280)
Recognition of equity-settled share based payments	—	—	—	—	40,415	—	—	—	—	40,415	—	40,415
Acquisition of additional interest in an associate	—	—	—	—	—	—	—	9,200	—	9,200	—	9,200
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(1,386)	(1,386)
Balance at 31st July, 2007 (audited)	107,598	555,251	157	—	41,543	170,583	268	9,200	(2,165)	882,435	—	882,435
Loss for the period and total recognised expense for the period	—	—	—	—	—	—	—	—	(146,518)	(146,518)	(5)	(146,523)
Issue of shares	20,550	223,260	—	—	—	—	—	—	—	243,810	—	243,810
Exercise of share options	4,721	93,744	—	—	(22,981)	—	—	—	—	75,484	—	75,484
Expenses incurred in connection with issue of shares	—	(3,351)	—	—	—	—	—	—	—	(3,351)	—	(3,351)
Recognition of equity-settled share based payments	—	—	—	—	4,980	—	—	—	—	4,980	—	4,980
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	3,771	3,771
Balance at 31st January, 2008 (unaudited)	132,869	868,904	157	—	23,542	170,583	268	9,200	(148,683)	1,056,840	3,766	1,060,606



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2008

	NOTES	Six months ended 31st January,	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash from (used in) operating activities		46,382	(54,049)
Tax paid		—	(43)
		46,382	(54,092)
Net cash (used in) from investing activities:			
(Increase) decrease in restricted bank deposits		(102,733)	6,938
Acquisition of a subsidiary	22	(75,795)	—
Acquisition of available-for-sale investments	12	(13,640)	—
Acquisition of an associate	11	(12,068)	—
Increase in pledged bank deposits		(8)	(8)
Deposit paid for possible acquisition of an unlisted investment		—	(10,000)
Purchase of property, plant and equipment		—	(7)
Proceeds from redemption of certificate of deposit		—	9,000
Proceeds from repayment of promissory note receivables		—	4,000
Other investing cash flows		—	3,849
		(204,244)	13,772
Net cash from (used in) financing activities:			
Proceeds from issue of shares		165,000	—
Proceeds from exercise of share options		75,484	—
Expenses incurred in connection with the issue of shares		(3,351)	—
Repayment of bank loans		(5,903)	(388)
Other financing cash flows		(81)	(275)
		231,149	(663)
Net increase (decrease) in cash and cash equivalents		73,287	(40,983)
Cash and cash equivalents at beginning of the period		151,464	237,234
Cash and cash equivalents at end of the period, representing bank balances and cash		224,751	196,251



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st January, 2008

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st July, 2007.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning 1st August, 2007. The adoption of these new HKFRSs has no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

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

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

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

³ Effective for annual periods beginning on or after 1st March, 2007

⁴ Effective for annual periods beginning on or after 1st January, 2008

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



2. **PRINCIPAL ACCOUNTING POLICIES (continued)**

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

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

3. **SEGMENT INFORMATION**

Business Segments

On 31st July, 2007, the Group disposed of its two subsidiaries, Consecutive Profits Limited ("Consecutive Profits") and Century 21 Hong Kong Limited ("Century 21") which were engaged in estate agency service operations as set out in note 6.

3. SEGMENT INFORMATION (continued)

Business Segments (continued)

For the six months ended 31st January, 2008

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

3. SEGMENT INFORMATION (continued)

Business Segments (continued)

For the six months ended 31st January, 2007

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

4. OTHER (LOSSES) GAINS

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

5. TAXATION

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

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

6. DISCONTINUED OPERATION

On 31st July, 2007, the Group entered into an agreement to dispose of Consecutive Profits and Century 21 which are engaged in estate agency services. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 31st July, 2007, on which date control of Consecutive Profits and Century 21 was passed to the acquirer.

The loss for the period from the discontinued operation is analysed as follows:

	Six months ended 31st January, 2007
	HK\$'000
Loss of estate agency services for the period	(50)
Impairment loss on goodwill	(780)
Loss for the period	(830)
Attributable to	
— Equity holders of the Company	(813)
— Minority interests	(17)
	(830)

6. DISCONTINUED OPERATION (continued)

The results of the estate agency service operations for the period, which have been included in the consolidated income statement, were as follows:

	Six months ended 31st January, 2007
	HK\$'000
Revenue	2,294
Cost of sales	(1,185)
Other income	170
Administrative expenses	(1,329)
Loss before taxation	(50)
Taxation	—
Loss for the period	(50)

7. (LOSS) PROFIT FOR THE PERIOD

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

8. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

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

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

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

8. (LOSS) EARNINGS PER SHARE (continued)

From continuing operations

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

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

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

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

	Six months ended 31st January,	
	2008	2007
From discontinued operation		
— Basic loss per share	—	0.016 HK cents

9. DIVIDEND

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

10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 31st January, 2008 have been arrived at on the basis of a valuation carried out on that date by Norton Appraisals Limited and Network Real Estate Appraisal Inc., independent qualified professional valuers not connected to the Group. Norton Appraisals Limited and Network Real Estate Appraisal Inc. have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The fair value of certain of the Group's investment properties, which are held for capital appreciation purpose with aggregate fair value of HK\$7,522,000 as at 31st January, 2008, was arrived at by reference to market evidence of transaction prices for similar properties. The fair value of the remaining investment properties, which are currently held for rental earning purpose, were arrived by taking into account the current passing rents and the reversionary potential of the 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.

11. INTERESTS IN ASSOCIATES

	31st January, 2008 HK\$'000	31st July, 2007 HK\$'000
Cost of unlisted investments in associates	241,268	390,900
Share of post-acquisition results	(8,016)	1,599
	233,252	392,499

During the six months ended 31st January, 2008, the Group acquired 25% equity interest in Singon Holdings Limited ("Singon") at a consideration of HK\$12,068,000. The principal asset of Singon is its 33.3% interest in a piece of land in Macau.

In addition, the Group acquired 50% additional equity interests in Sun Fat Investment and Industry Limited ("Sun Fat") at a consideration of HK\$158,300,000 during the six months ended 31st January, 2008 as set out in note 22. After the completion of the acquisition, Sun Fat has become a 99% owned subsidiary of the Company.

12. AVAILABLE-FOR-SALE INVESTMENTS

During the six months ended 31st January, 2008, the Group acquired 19.9% equity interest in T&W Redevelopment, LLC at a consideration of US\$1,750,000 (equivalent to HK\$13,640,000).

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 each balance sheet date 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.

13. DERIVATIVE FINANCIAL INSTRUMENTS

		31st January, 2008		31st July, 2007	
		Assets	Liabilities	Assets	Liabilities
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Futures	(i)	181	243	—	775
Equity accumulators and swaps	(ii)	—	12,980	—	—
		181	13,223	—	775

(i) Futures:

The Group has entered into futures trades and the major terms of the outstanding futures (all of which are long position) are set out below:

At 31st January, 2008	Notional amount	Maturity
Taiwan stock index futures	US\$1.5 million	February 2008
H-Share index futures	HK\$7 million	February 2008
Heng Sang index futures	HK\$12 million	February 2008
At 31st July, 2007		
Nikkei 225 index futures	US\$4 million	September 2007
H-Share index futures	HK\$30 million	August 2007
Heng Sang index futures	HK\$55 million	August 2007

13. DERIVATIVE FINANCIAL INSTRUMENTSS (continued)

(ii) Equity accumulators and swaps:

As at 31st January, 2008, the amount represented the negative fair value of the outstanding equity accumulators and swaps covering various listed securities in Hong Kong. All the equity accumulators will mature in June and July 2008 and the swaps will mature in December 2008.

The above derivatives are measured at fair value at the balance sheet date. Their fair values are determined based on the valuation provided by counter party financial institutions at the balance sheet date.

14. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 30 days to its trade customers. At 31st January, 2008, the balance of trade and other receivables included trade receivables of HK\$110,000 (31st July, 2007: HK\$41,000). An aged analysis of trade receivables at the reporting date is as follows:

	31st January, 2008 HK\$'000	31st July, 2007 HK\$'000
0 to 60 days	29	31
61 to 90 days	45	—
91 days or above	36	10
	110	41

15. INVESTMENTS HELD FOR TRADING

Investments held for trading at 31st January, 2008 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.

16. TRADE AND OTHER PAYABLES

At 31st January, 2008, the balance of trade and other payables included trade payables of HK\$508,000 (31st July, 2007: HK\$1,305,000). An aged analysis of trade payables at the reporting date is as follows:

	31.1.2008 HK\$'000	31.7.2007 HK\$'000
0 to 60 days	354	1,159
61 to 90 days	152	—
91 days or above	2	146
	508	1,305

17. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

During the six months ended 31st January, 2008, the Group entered into a contract to short-sell various listed securities in Hong Kong. The short-sell contract has been classified as held for trading. Their fair values are determined based on the quoted market ask prices available on the Stock Exchange.

18. BANK BORROWINGS

During the six months ended 31st January, 2008, the Group settled bank loans of HK\$5,903,000.

19. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares		
Authorised:		
At 1st August, 2007 and 31st January, 2008, at HK\$0.01 each	200,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2007, at HK\$0.01 each	10,759,766,896	107,598
Issue of shares (note (i))	2,055,000,000	20,550
Exercise of share options (note (ii))	472,130,000	4,721
At 31st January, 2008, at HK\$0.01 each	13,286,896,896	132,869

Notes:

- (i) Pursuant to an announcement dated 8th October, 2007, the Company issued 555,000,000 shares of HK\$0.01 each as part of the consideration for the acquisition of 50% additional equity interest in Sun Fat as set out in note 22.

In addition, pursuant to an announcement dated 10th December, 2007, arrangement was made for a placing to not less than six places of 1,500,000,000 new shares of the Company of HK\$0.01 each at a placing price of HK\$0.110 per share, representing a discount of approximately 12% to the closing price of the HK\$0.125 per share on 10th December, 2007. The net proceeds of approximately HK\$161,649,000 will be used as general working capital and/or funding to finance the acquisition of properties, property development or other potential investment.

The 555,000,000 and 1,500,000,000 new shares were issued under the general mandate granted to the directors at the extraordinary general meeting of the Company held on 10th May, 2007. The new shares rank pari passu in all respects with the then existing issued shares.



19. SHARE CAPITAL (continued)

Notes: (continued)

- (ii) In August and September 2007, the Company issued 28,000,000, 42,085,000, 292,345,000 and 109,700,000 ordinary shares of HK\$0.01 each in the Company for cash at HK\$0.0677, HK\$0.0484, HK\$0.1670 and HK\$0.2072 per share, respectively, as a result of the exercise of share options granted to directors and employees. The new shares rank pari passu in all respects with the then existing issued shares.

20. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the six months ended 31st January, 2008 and 2007:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
Balance at 1st August, 2006 (audited)	1,467	(1,516)	(49)
Charge (credit) to consolidated income statement	42	(42)	—
Balance at 31st January, 2007 (unaudited)	1,509	(1,558)	(49)
Charge (credit) to consolidated income statement	670	(737)	(67)
Disposal of subsidiaries	116	—	116
Balance at 31st July, 2007 (audited)	2,295	(2,295)	—
(Credit) charge to consolidated income statement	(269)	269	—
Balance at 31st January, 2008 (unaudited)	2,026	(2,026)	—

At 31st July, 2008, the Group had unused tax losses of HK\$210,717,000 (31st July, 2007: HK\$60,645,000) available to offset against future profits. A deferred tax asset of the Group has been recognised in respect of HK\$11,578,000 (31st July, 2007: HK\$13,114,000) of such tax losses. No deferred tax assets of the Group have been recognised in respect of the remaining unused tax losses of HK\$199,139,000 (31st July, 2007: HK\$47,531,000) due to unpredictability of future profits streams. The tax losses may be carried forward indefinitely.



21. 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	792,878,531
Granted during the period	109,700,000
Cancelled during the period	(68,531)
Exercised during the period	(472,130,000)
Outstanding at the end of the period	430,380,000

The closing price of the Company's shares immediately before 8th August, 2007, the date of grant of the options, was HK\$0.1860.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised ranged from HK\$0.1772 to HK\$0.2370.

In the current period, share options were granted on 8th August, 2007. The fair value of the options determined at the dates of grant using the Black-Scholes option pricing model was HK\$0.0454.

The following assumptions were used to calculate the fair value of share options:

Grant date	8th August, 2007
Vesting date	8th August, 2007
Grant date share price	HK\$0.1900
Exercise price	HK\$0.2072
Expected life	3 years
Expected volatility	78.99%
Risk-free interest rate	4.16%

The Black-Scholes 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.

22. ACQUISITION OF A SUBSIDIARY

During the six months ended 31st January, 2008, the Group acquired additional interest in a piece of land in Macau through the acquisition of 50% additional equity interest in Sun Fat at a consideration of HK\$158,300,000. After the completion of the acquisition, Sun Fat has become a 99% owned subsidiary of the Company.

The net assets acquired in the transaction is as follows:

	HK\$'000
<hr/>	
Net assets acquired:	
Properties held for development	297,833
Amounts due from former shareholders	21,989
Bank balances and cash	3,695
Other payables	(1)
	<hr/>
	323,516
Minority interests	(3,771)
	<hr/>
	319,745
	<hr/> <hr/>
Total consideration satisfied by:	
Cash	79,490
Shares issued (Note)	78,810
	<hr/>
	158,300
Interest in an associate	161,445
	<hr/>
	319,745
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	(79,490)
Bank balances and cash acquired	3,695
	<hr/>
	(75,795)
	<hr/> <hr/>

22. ACQUISITION OF A SUBSIDIARY (continued)

Note: As part of the consideration for the acquisition of Sun Fat, 555,000,000 ordinary shares of the Company of HK\$0.01 each were issued as set out in note 19. The fair value of the ordinary shares of the Company, determined based on the estimated fair value of the net assets acquired at the date of the acquisition, amounted to HK\$78,810,000. The estimated fair value of the properties held for development is determined after deducting the estimated land premium required for conversion of the land use to residential purposes.

The newly acquired subsidiaries during the period did not make any significant impact on the Group's result for the period.

23. POST BALANCE SHEET EVENTS

- (i) On 26th February, 2008, a joint venture agreement was entered into between the Company, 潘瑞安 ("Mr. Pan Ruian"), 黃其俊 ("Mr. Huang Qijun") and 趙劍輝 ("Mr. Zhao Jianhui"), pursuant to which a joint venture company, New Fortune Environmental Protection Limited ("New Fortune"), was incorporated in Hong Kong with limited liability. Mr. Pan Ruian, Mr. Huang Qijun and Mr. Zhao Jianhui are independent third parties. New Fortune is owned as to 89.9% and 10.1% by Best Base Holdings Limited ("Best Base"), a wholly owned subsidiary of the Company, and Smooth Win Holdings Limited ("Smooth Win"), a company wholly owned by Mr. Pan Ruian, respectively.

New Fortune is proposed to invest in five subsidiaries. The initial investment by New Fortune in the five proposed subsidiaries is expected to be RMB198 million of which Best Base and Smooth Win will contribute approximately RMB178 million and approximately RMB20 million, respectively, which is in proportion to the beneficial interest of each party. Each of the five proposed subsidiaries will be owned as to 99% by New Fortune and 1% by 江門新進展實業投資有限公司 Jiangmen New Development Industrial Investment Limited (for identification purpose only), a proposed company being established in the People's Republic of China (the "PRC"), which will be owned as to 50% by Mr. Huang Qijun and 50% by Mr. Zhao Jianhui.

The principal businesses of the proposed subsidiaries of New Fortune are expected to be engaged in the investment in environmental and/or property related projects in the PRC. Details of the transaction were set out in the announcement of the Company dated 27th February, 2008.



- (ii) On 29th February, 2008, the Company entered into an agreement with Mason Creation Limited, Upper Way Holdings and Mr. Siu Ka Kuen (the “Vendors”) and Mr. Sio Tak Hong and Mr. Tang Fung (the “Warrantors”), pursuant to which the Company has conditionally agreed to acquire from the Vendors the entire issued share capital of Hotel Fortuna (Hong Kong) Company Limited (“Hotel Fortuna (Hong Kong)”) and all outstanding liabilities owed by Hotel Fortuna (Hong Kong) to each of the Vendors as at completion date of the agreement at an aggregate consideration of HK\$550,000,000 (subject to adjustments).

Hotel Fortuna (Hong Kong) is an investment holding company and its principal asset is its 100% interest in 佛山市財神酒店有限公司 Foshan Fortuna Hotel Company Limited (for identification purpose only), which is established in PRC and owns a hotel situated at Le Cong Zhen, Shun De District, Foshan, Guangdong Province, the PRC. Details of the acquisition were set out in the announcement of the Company dated 5th March, 2008.

The acquisition has not yet been completed at the date of this report. The directors are of the view that it is impracticable to disclose the financial impact in respect of the acquisition since the transaction has not been completed.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the results

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

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

Liquidity and financial resources

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

Exchange rate exposure

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

Business review

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

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

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

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



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

Prospects

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

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

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



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

Contingent liability

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

Pledge of assets

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

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 1.8.2007	Granted During the period	Exercised/ cancelled during the period	Outstanding at 31.1.2008
Category 1: Directors							
Chu Nin Yiu, Stephen	17.07.2006	17.07.2006 -29.12.2012	0.068'	5,762'	—	(5,762)	—
Chu Nin Wai, David	17.07.2006	17.07.2006 -29.12.2012	0.068'	5,762'	—	(5,762)	—
	15.06.2007	15.06.2007 -14.06.2010	0.167	58,130,000	—	(58,130,000)	—
Lau Chi Kan, Michael	17.07.2006	17.07.2006 -29.12.2012	0.068'	28,055,762'	—	(28,055,762)	—
	15.06.2007	15.06.2007 -14.06.2010	0.167	58,130,000	—	(58,130,000)	—
Wong Kwong Fat	15.06.2007	15.06.2007 -14.06.2010	0.167	30,800,000	—	(30,800,000)	—
				175,127,286	—	(175,127,286)	—
Category 2: Employees							
Employees	13.09.2006	13.09.2006 -29.12.2012	0.048'	42,086,245'	—	(42,086,245)	—
	15.06.2007	15.06.2007 -14.06.2010	0.167	145,285,000	—	(145,285,000)	—
	31.07.2007	31.07.2007 -30.07.2010	0.255	215,190,000	—	—	215,190,000
				402,561,245	—	(187,371,245)	215,190,000
Category 3: Consultants							
Consultants	31.07.2007	31.07.2007 -30.07.2010	0.255	215,190,000	—	—	215,190,000
	08.08.2007	08.08.2007 -07.08.2010	0.207	—	109,700,000	(109,700,000)	—
				215,190,000	109,700,000	(109,700,000)	215,190,000
Total all categories				792,878,531	109,700,000	(472,198,531)	430,380,000

* The number and exercise price of the share options have been adjusted in the above table in to reflect the one-to-five rights issue completed in April 2007.

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, 2008, 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

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Chu Nin Yiu, Stephen ("Mr. Chu")	Held by controlled corporation (Note)	2,288,379,000	17.22%
Lau Chi Kan, Michael	Beneficial owner	75,000	0.00%

Note: The 2,288,379,000 shares were held by Supervalve Holdings Limited, which is in turn wholly owned by Mr. Chu. Mr. Chu is therefore deemed to be interested in 2,288,379,000 shares of the Company.

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, 2008.

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, 2008, 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

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Supervalve Holdings Limited <i>(Note)</i>	Beneficial owner	2,288,379,000	17.22%

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, 2008.

Note: The 2,288,379,000 shares were beneficially owned by Supervalve Holdings Limited, which was in turn wholly-owned by Mr. Chu.

Audit committee

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

Corporate governance

The Company complied throughout the six months ended 31st January, 2008 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:—

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

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

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

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

Model code for securities transactions

The Company has adopted the Model Code of the Listing Rules as its own codes of conduct regarding directors' and relevant employees' securities transactions. Having made specific enquiry to all directors, all directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 31st January, 2008.



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

During the six months ended 31st January, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 25 April, 2008

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