Interim Report 2010/11

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

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

Reed Smith 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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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 23, which comprise the condensed consolidated statement of financial position of Capital Estate Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31st January, 2011 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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

29th March, 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2011

	NOTES	Six months ended 31st January, 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Revenue	3	**65,192**	56,974
Direct cost		**(34,507)**	(31,486)
Gross profit		**30,685**	25,488
Other gains and losses	4	**14,489**	6,661
Other income		**915**	2,408
Distribution expenses		**(638)**	(1,225)
Administrative expenses		**(30,959)**	(27,646)
Other operating expenses		**(19,886)**	(19,774)
Increase in fair value of investment properties	9	**3,900**	3,140
Share of profits (losses) of associates		**1,077**	(2,445)
Finance costs	5	**(7,012)**	(5,020)
Impairment loss recognised on properties for development	13	**—**	(20,000)
Loss before taxation		**(7,429)**	(38,413)
Income tax credit	6	**1,402**	—
Loss for the period	7	**(6,027)**	(38,413)
Other comprehensive income			
Exchange differences arising on translation		**19,349**	5,970
Total comprehensive income (expense) for the period		**13,322**	(32,443)
Loss for the period attributable to:			
Owners of the Company		**(5,881)**	(38,265)
Non-controlling interests		**(146)**	(148)
		(6,027)	(38,413)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**13,468**	(32,295)
Non-controlling interests		**(146)**	(148)
		13,322	(32,443)
LOSS PER SHARE	8		
Basic and diluted — HK cents		**(0.27)**	(1.80)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST JANUARY, 2011

	NOTES	31st January, 2011 HK$'000 (unaudited)	31st July, 2010 HK$'000 (unaudited)
Non-current Assets			
Investment properties	9	40,300	36,400
Property, plant and equipment	10	461,320	433,842
Prepaid lease payments		13,096	12,807
Premium on prepaid lease payments		190,208	186,021
Interests in associates	11	210,044	221,331
Available-for-sale investments	12	59,850	59,850
		974,818	950,251
Current Assets			
Amounts due from associates		3,125	2,722
Properties for development	13	227,200	227,200
Inventories		3,811	2,634
Trade and other receivables	14	10,860	6,725
Prepaid lease payments		416	407
Investments held for trading		24,982	50,372
Pledged bank deposits		641	641
Bank balances and cash		103,176	32,956
		374,211	323,657
Current Liabilities			
Trade and other payables	15	27,363	27,082
Amount due to related parties		11,268	5,713
Taxation payable		25,548	25,548
Bank borrowings — due within one year		16,594	11,866
		80,773	70,209
Net current assets		293,438	253,448
Total assets less current liabilities		1,268,256	1,203,699
Non-current Liabilities			
Bank borrowings - due after one year		130,611	133,718
Consideration payable for acquisition of subsidiaries	16	—	80,277
Convertible notes — liability portion	17	57,380	—
Deferred tax liabilities		73,185	68,728
		261,176	282,723
		1,007,080	920,976
Capital and Reserves			
Share capital	18	231,506	214,839
Share premium and reserves		773,432	703,849
Equity attributable to owners of the Company		1,004,938	918,688
Non-controlling interests		2,142	2,288
		1,007,080	920,976

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2011

	Attributable to owners of the Company												
	Share capital	Share premium	Capital reserve	Share options reserve	Capital reduction reserve	Translation reserve	Capital redemption reserve	Convertible notes reserve	Revaluation reserve	Accumulated losses	Total	Non-controlling 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	HK$'000
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
Loss for the period	–	–	–	–	–	–	–	–	–	(38,265)	(38,265)	(148)	(38,413)
Exchange difference arising on translation	–	–	–	–	–	5,970	–	–	–	–	5,970	–	5,970
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
Balance at 1st August, 2010 (audited)	214,839	994,163	157	23,542	170,583	7,041	268	–	9,200	(501,105)	918,688	2,288	920,976
Loss for the period	–	–	–	–	–	–	–	–	–	(5,881)	(5,881)	(146)	(6,027)
Exchange difference arising on translation	–	–	–	–	–	19,349	–	–	–	–	19,349	–	19,349
Total comprehensive income (expense) for the period	–	–	–	–	–	19,349	–	–	–	(5,881)	13,468	(146)	13,322
Recognition of equity component of convertible notes	–	–	–	–	–	–	–	30,612	–	–	30,612	–	30,612
Deferred tax liability on recognition of equity component of convertible notes	–	–	–	–	–	–	–	(5,608)	–	–	(5,608)	–	(5,608)
Conversion of convertible notes to ordinary shares	16,667	42,301	–	–	–	–	–	(13,605)	–	–	45,363	–	45,363
Release of deferred tax liability recognised on conversion of convertible notes	–	–	–	–	–	–	–	2,415	–	–	2,415	–	2,415
Balance at 31st January, 2011 (unaudited)	231,506	1,036,464	157	23,542	170,583	26,390	268	13,814	9,200	(506,986)	1,004,938	2,142	1,007,080

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2011

	Six months ended 31st January,	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Net cash from operating activities	**33,882**	1,773
INVESTING ACTIVITIES		
Reduction of investment cost in an associate	**12,068**	—
Dividend received from an associate	**296**	—
Purchase of property, plant and equipment	**(27,804)**	(702)
Advance to an associate	**(295)**	(10)
Principal of convertible bonds received	**—**	44,000
Decrease in restricted bank deposits	**—**	947
Other investing cash flows	**836**	1,638
Net cash (used in) from investing activities	**(14,899)**	45,873
FINANCING ACTIVITIES		
Proceeds from issue of convertible notes, net of issue expense	**131,625**	—
Advance from a related party	**5,333**	—
Payment of consideration for acquisition of a subsidiary	**(80,277)**	(18,317)
Interest paid	**(5,422)**	(6,178)
Repayment of bank loans	**(4,030)**	(2,289)
Proceed from exercise of share options	**—**	939
Net cash from (used in) financing activities	**47,229**	(25,845)
Net increase in cash and cash equivalents	**66,212**	21,801
Cash and cash equivalents at beginning of the period	**32,956**	40,905
Effect of foreign exchange rate changes	**4,008**	135
Cash and cash equivalents at end of the period, represented by		
Bank balances and cash	**103,176**	62,841

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st July, 2010. In addition, the Group has applied the following accounting policy for convertible notes issued during the current interim period.

CONVERTIBLE NOTES

Convertible notes issued by the Company that contain liability (together with the early redemption option which is closely related to the host liability component) and conversion option are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes reserve).

2. PRINCIPAL ACCOUNTING POLICIES (continued)

CONVERTIBLE NOTES (continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

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 Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 in relation to the amendments to HKFRS 3 (as revised in 2008), HKAS 27 and HKAS 28, HKAS 31 and HKAS 21
HKAS 32 (Amendments)	Classification of Right Issues
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK-Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

IMPROVEMENTS TO HKFRSS 2009

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments are effective from 1st August, 2010. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and to present them as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st August, 2010 based on information that existed at the inception of the leases. The application of the amendments to HKAS 17 does not affect the classification of the Group's leasehold land.

IMPROVEMENTS TO HKFRSs 2010

As part of *Improvements to HKFRSs* issued in 2010, HKAS 1 *Presentation of Financial Statements* has clarified that an entity may present the analysis of other comprehensive income by item either in the consolidated statement of changes in equity or in notes to the consolidated financial statements. The amendments will be effective from 1st January, 2011 with earlier application permitted. The Group has applied the amendments in advance of their effective dates (annual periods beginning on or after 1st January, 2011). The amendments have been applied retrospectively such that items of other comprehensive income are presented as one single line item in the consolidated statement of changes in equity.

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]

2. PRINCIPAL ACCOUNTING POLICIES (continued)

IMPROVEMENTS TO HKFRSs 2010 (continued)

[1] Amendments that are effective for annual periods beginning on or after 1st January, 2011
[2] Effective for annual periods beginning on or after 1st January, 2012
[3] Effective for annual periods beginning on or after 1st January, 2011
[4] Effective for annual periods beginning on or after 1st July, 2011
[5] Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

IMPROVEMENTS TO HKFRSs 2010 (continued)

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The application of HKFRS 9 will affect the classification and measurement of the available-for-sale investments and may affect the Group's other financial assets.

The Directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

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

Information regarding these segments is reported below.

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, 2011

	Property HK$'000	Financial investment HK$'000	Hotel operations HK$'000	Total HK$'000
Gross proceeds	**284**	**88,733**	**64,908**	**153,925**
Segment revenue	**284**	**—**	**64,908**	**65,192**
Segment profit (loss)	**3,432**	**14,655**	**(6,138)**	**11,949**
Unallocated income				**563**
Unallocated expenses				**(14,006)**
Share of profits of associates				**1,077**
Finance costs				**(7,012)**
Loss before taxation				**(7,429)**

Six months ended 31st January, 2010

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

3. SEGMENT INFORMATION (continued)

Segment profit (loss) represents the profit (loss) earned/incurred by each segment without allocation of central administration costs, directors' salaries, share of results 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 AND LOSSES

	Six months ended 31st January, 2011 HK$'000	2010 HK$'000
Increase in fair value of investments held for trading	**14,122**	11,432
Increase in fair value of derivative financial instruments	**68**	445
Dividend income from investments held for trading	**299**	187
Loss on early redemption of convertible bonds	**—**	(5,403)
	14,489	6,661

5. FINANCE COSTS

	Six months ended 31st January, 2011 HK$'000	2010 HK$'000
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	**3,890**	3,925
Consideration payable for acquisition of subsidiaries	**444**	1,095
Interest on convertible notes	**1,730**	—
Other interest	**948**	—
	7,012	5,020

6. INCOME TAX CREDIT

	Six months ended 31st January, 2011 HK$'000	2010 HK$'000
The credit comprises:		
Deferred taxation	**1,402**	—

No provision for Hong Kong Profits Tax and Enterprise Income Tax in PRC subsidiaries has been made for both periods as the Company and its subsidiaries either did not generate any assessable profits for the periods or have available tax losses brought forward from prior years to offset against any assessable profits generated during the periods.

7. LOSS FOR THE PERIOD

	Six months ended 31st January, 2011 HK$'000	2010 HK$'000
Loss for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment (included in other operating expenses)	**16,639**	16,638
Release of prepaid lease payments and premium on prepaid lease payment (included in other operating expenses)	**3,247**	3,136
Loss on disposal of property, plant and equipment	**—**	259
Bank interest income	**(27)**	(12)

8. LOSS PER SHARE

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

	Six months ended 31st January,	
	2011	2010
	HK$'000	HK$'000
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(5,881)**	(38,265)

	Number of shares	**Number of shares** (restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	2,186,886,065	2,131,388,603

Note: The weighted average number of ordinary shares for the purpose of calculating basic loss per share for last interim period have been retrospectively adjusted for the effect of share consolidation completed in May 2010.

For the six months ended 31st January, 2011, the computation of diluted loss per share does not include the effects of outstanding convertible notes because the assumed exercise of convertible notes would result in a decrease in loss per share.

For the six months ended 31st January, 2010, the computation of diluted loss per share 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.

9. 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, 2011 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$3,900,000 has been recognised in profit or loss for the six months ended 31st January, 2011 (six months ended 31st January, 2010: increase in fair value of HK$3,140,000).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for a cash consideration of HK$27,804,000 (for the six months ended 31st January, 2010: HK$702,000).

11. INTERESTS IN ASSOCIATES

	31st January, 2011 HK$'000	31st July, 2010 HK$'000
Cost of unlisted investments in associates	**229,455**	241,523
Share of post-acquisition results, net of dividends received	**(19,411)**	(20,192)
	210,044	221,331

12. AVAILABLE-FOR-SALE INVESTMENTS

	31st January, 2011 HK$'000	31st July, 2010 HK$'000
Unlisted equity securities, at cost	**69,890**	69,890
Impairment loss recognised	**(10,040)**	(10,040)
	59,850	59,850

The available-for-sale investments represent investments in unlisted equity securities issued by private entities incorporated and operate in the United States of America and Macau involved in property investment. 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.

13. PROPERTIES FOR DEVELOPMENT

Properties for development represent leasehold land located in Macau for development and 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, no impairment loss has been recognised (six months ended 31st January, 2010: impairment loss of HK$20,000,000) 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.

	31st January, 2011 HK$'000	31st July, 2010 HK$'000
0 - 30 days	**1,985**	2,008
31 - 60 days	**199**	143
61 - 90 days	**216**	24
Over 90 days	**132**	232
	2,532	2,407

15. TRADE AND OTHER PAYABLES

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

	31st January, 2011 HK$'000	31st July, 2010 HK$'000
0 - 30 days	**5,144**	3,207
31 - 60 days	**2,006**	2,031
61 - 90 days	**844**	1,002
Over 90 days	**160**	717
	8,154	6,957

16. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The amount carried interest at the fixed rate of 2% per annum and fully settled during the period. Principal amounting to HK$80,277,000 and interest amounting to HK$1,532,000 (for the six months ended 31st January, 2010: HK$2,252,000) were paid during the period.

17. CONVERTIBLE NOTES

On 8th November, 2010, the Company issued an aggregate principal amount of HK$135,000,000 unsecured 4% convertible notes due 2013.

The convertible notes bear interest at 4% per annum and will mature on 8th November, 2013. The holders of the convertible notes have the right to convert their convertible notes into ordinary shares of the Company at a conversion price of HK$0.36 per share at any time commencing from the issue date up to the business day last preceding the fifth business day prior to the maturity date.

Unless previously redeemed, converted or repaid in accordance with the terms and conditions of the convertible notes, the Company will redeem all convertible notes at their principal amount together with accrued and unpaid interest thereon on the maturity date. The Company may early redeem any portion of the outstanding convertible notes at par at any time prior to the maturity date.

The convertible notes contain two components, liability (together with embedded derivative for early redemption right by the Company which is closely related to the host debt) and equity elements. The equity element is presented in equity under the heading of "convertible notes reserve". The effective interest rate of the liability component of the convertible notes is at 11.58% at the date of initial recognition.

During the six months ended 31st January, 2011, convertible notes with a principal amount of HK$60,000,000 were converted into shares of HK$0.1 each in the Company at the conversion price of HK$0.36 per share. Accordingly, a total of 166,666,664 ordinary shares of HK$0.1 each were issued.

The movement of liability component of the convertible notes is as follows:

	HK$'000
At date of issue, net of issue expense	101,013
Interest charge	1,730
Conversion during the period	(45,363)
Carrying amount of convertible notes as at 31st January, 2011	57,380

18. SHARE CAPITAL

Ordinary shares	Number of ordinary shares	Amount
		HK$'000
Authorised:		
At 1st August, 2009, at HK$0.01 each	200,000,000,000	2,000,000
Share consolidation	(180,000,000,000)	—
At 31st July, 2010 and 31st January, 2011, at HK$0.1 each	20,000,000,000	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 options	194,000,000	1,940
	21,483,896,896	214,839
Share consolidation	(19,335,507,207)	—
At 31st July, 2010, at HK$0.1 each	2,148,389,689	214,839
Conversion of convertible notes (note)	166,666,664	16,667
At 31st January, 2011, at HK$0.1 each	2,315,056,353	231,506

Note: During the six months ended 31st January, 2011, convertible notes with a principal amount of HK$60,000,000 were converted into shares of HK$0.1 each in the Company at the conversion price of HK$0.36 per share. Accordingly, a total of 166,666,664 ordinary shares of HK$0.1 each were issued. The new shares rank pari passu in all respect with the then existing issued shares.

19. SHARE BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group.

No share options was outstanding at the beginning and the end of the period, and granted during the six months ended 31st January, 2011.

20. PLEDGE OF ASSETS

At 31st January, 2011, hotel properties of HK$329,317,000 (31st July, 2010: HK$322,452,000) of the Group were pledged to secure bank borrowings. Bank deposit of HK$641,000 (31st July, 2010: HK$641,000) of the Group was pledged to banks to secure short-term credit facilities to the extent of HK$600,000 (31st July, 2010: HK$600,000) granted to the Group, of which HK$13,000 (31st July, 2010: HK$5,000) was utilised by the Group.

21. RELATED PARTY DISCLOSURES

Compensation of key management personnel:

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

	Six months ended	
	31.1.2011	31.1.2010
	HK$'000	HK$'000
Short-term benefits	**1,756**	1,756

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.

22. EVENTS AFTER THE END OF REPORTING PERIOD

Subsequent to the end of reporting period, convertible notes with a principal amount of HK$55,000,000 were converted into shares of HK$0.1 each in the Company at the conversion price of HK$0.36 per share. Accordingly, a total of 152,777,776 ordinary shares of HK$0.1 each were issued.

INTERIM DIVIDEND

The Directors do not recommend the payment of any dividends for the six months ended 31st January, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF THE RESULTS

The Group reported gross proceeds of approximately HK$153.9 million for the six months ended 31st January, 2011, which comprised mainly gross proceeds from sales of securities and income from hotel operations, as compared to HK$153.1 million for the same period last year.

Net loss attributable to owners of the Company for the six months ended 31st January, 2011 was HK$5.9 million, as compared to the net loss of HK$38.3 million for the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a liquid position. At 31st January, 2011, the Group had bank balances and cash of HK$103.2 million (31st July, 2010: HK$33.0 million) mainly in Hong Kong dollars and marketable securities totalling HK$25.0 million (31st July 2010: HK$50.4 million).

Total bank borrowings (other than corporate credit card payable classified as "other payable") were HK$147.2 million at 31st January, 2011 (31st July, 2010: HK$145.6 million), of which HK$16.6 million were repayable within one year and HK$130.6 million within two to five years. The bank borrowings were denominated in Renminbi and carried interest on a floating rate basis.

Convertible notes of face value HK$75.0 million outstanding at 31st January, 2011 were repayable in 2013.

The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' fund, was 34.0% at 31st January, 2011 (31st July, 2010: 38.4%).

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, 2011, the principal activities of the Group are property investment and development, hotel operation, financial investment and related activities.

Property investment and development

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

The Group holds an effective 5% interest in the land site at Avenida Commercial de Macau through an investee company, Sociedade de Investmento Imboiliaro Pun Keng Van, SARL. The site is for the development of a 51-storey (plus 4 basement levels) luxurious residential building on the waterfront at Nam Van Lake with a maximum permitted gross floor area of approximately 55,800 square meters. The progress of the project will be monitored closely.

Hotel operation

The Group owns 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. During the year ended 31st December, 2010, the occupancy rate of the hotel has increased by 7.7% and recorded a turnover of approximately HK$117.9 million in 2010 compared to HK$93.7 million in 2009.

The Group also holds 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 keen competition in the Macau hotel industry, Hotel Fortuna, Macau continued to maintain a high occupancy rate of approximately 97% and recorded a stable turnover of approximately HK$181.2 million in 2010 when compared to the turnover of HK$181.8 million in 2009.

PROSPECTS

A new recreational building of Hotel Fortuna, Foshan is under construction and will offer a gross floor area of approximately 6,000 square meters with swimming pool, gym, sauna, karaoke and other club house facilities. These new facilities are expected to enhance the operational efficiency, competitiveness and revenue of the hotel. After the completion of the recreational building, the site of Hotel Fortuna, Foshan still has an undeveloped permissible gross floor area for residential and commercial uses in excess of 64,000 square meters. It is the management's objective to launch feasible development plans to fully realise such development potential at the right time.

On 8 November 2010, the Company issued HK$135 million aggregate principal amount of 4% convertible notes (the "Notes") due in 2013 and successfully raised approximately HK$131 million of net proceeds (after deducting expenses). Up to the date of this report, Notes totalling HK$115 million in face value have been converted into 319,444,440 new shares of the Company. The issue of the Notes has broadened the capital and shareholder base of the Company and effectively strengthened the Group's financial capabilities.

The Group is optimistic with the long term prospects of the property and hospitality sectors in Macau and the PRC, and will continue its prudent approach to identify and seek sound business opportunities to enhance shareholders' return.

CONTINGENT LIABILITY

At 31st January, 2011, the Group had no significant contingent liabilities.

PLEDGE OF ASSETS

At 31st January, 2011, hotel properties of HK$329,317,000 of the Group were pledged to secure bank borrowings of RMB124,200,000 (equivalent to approximately HK$147,204,000) 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$13,000 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").

No share options was outstanding at the beginning of the period or granted during the period.

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

At 31st January, 2011, 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

Ordinary shares of HK$0.1 each of the Company

	Number of shares held				
Name of Director	Personal interest (held as beneficial owners)	Family interest (interests of spouse or child under 18)	Corporated interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the Company
Sio Tak Hong ("Mr. Sio")	–	24,491,000	861,075,000 (Note 1)	885,566,000	38.3%
Chu Nin Yiu, Stephen ("Mr. Chu")	23,700,000	–	333,447,400 (Note 2)	357,147,400	15.4%
Lau Chi Kan, Michael	7,500	–	–	7,500	0.0%

Notes:

1. Mr. Sio was deemed to be interested in the 861,075,000 shares in the Company held through Fullkeen Holdings Limited ("Fullkeen"), which is in turn 70% owned by Mr. Sio.

2. Mr. Chu was deemed to be interested in the 333,447,400 shares in the Company held through Supervalue Holdings Limited ("Supervalue"), which is in turn wholly owned by Mr. Chu.

(II) Associated corporation

Name of Director	Associated Corporation	Number of shares held: Personal interest (held as Beneficial owner)	Family Interest (interests of spouse or child under 18)	Corporated interest (interest of controlled corporation)	Total	Percentage of the issued share capital of the associated corporation
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, 2011.

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, 2011, 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$0.1 each of the Company

	Number of shares held				
Name of shareholder	**Personal interest (held as beneficial owners)**	**Family interest (interests of spouse or child under 18)**	**Corporated interest (interest of controlled corporation)**	**Total**	**Percentage of the issued share capital of the Company**
Fullkeen	861,075,000	—	—	861,075,000	37.2%
Mr. Sio	—	24,491,000	861,075,000 (Note 1)	885,566,000	38.3%
Supervalue	333,447,400	—	—	333,447,400	14.4%
Mr. Chu	23,700,000	—	333,447,400 (Note 2)	357,147,400	15.4%

Notes:

1. Mr. Sio was deemed to be interested in the 861,075,000 shares in the Company held through Fullkeen, which is in turn 70% owned by Mr. Sio.

2. Mr. Chu was deemed to be interested in the 333,447,400 shares in the Company held through Supervalue, which is in turn wholly owned by Mr. Chu.

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, 2011.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts for the six months ended 31st January, 2011.

CORPORATE GOVERNANCE

The Company complied throughout the six months ended 31st January, 2011 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.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.

2. Under Code E.1.2, the Chairman of the board of directors (the "Board") should attend the annual general meeting.

   The Chairman of the Board was unable to attend the Company's annual general meeting which was held on 13th December, 2010 as he had other engagement that was important to the Group's business.

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, 2011.

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

During the six months ended 31st January, 2011, 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, 29th March, 2011

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.