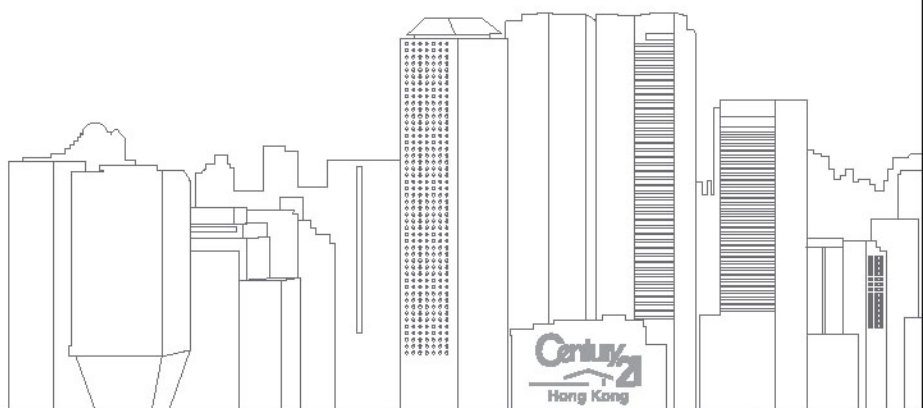


2003/2004

中期報告 Interim Report



The directors of Capital Estate Limited (the "Company") are pleased to announce that the unaudited consolidated financial statements of the Company and its subsidiaries (the "Group") for the period ended 31st January, 2004 together with comparative figures for the previous period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2004

| | | Six months ended 31st January, | |
|---|-------|---|---------------------------------|
| | | 2004 HK\$'000 (unaudited) | 2003 HK\$'000 (unaudited) |
| | Notes | | |
| Turnover | 3 | 14,464 | 34,642 |
| Cost of sales | | (1,191) | (3,348) |
| Direct cost on trading securities sold | | (7,140) | — |
| Direct cost on property rental | | (794) | (919) |
| Direct cost of sales of properties | | — | (17,002) |
| Gross profit | | 5,339 | 13,373 |
| Other operating income | 4 | 3,764 | 1,934 |
| Administrative expenses | | (8,971) | (20,615) |
| Loss on disposal of investment properties | | (620) | (355) |
| Unrealised holding loss on trading securities | | (41) | — |
| Amortization of goodwill arising on acquisition of subsidiaries | | (190) | (1,880) |
| Loss on disposal of property, plant and equipment | | — | (78) |
| Impairment loss on other securities | | — | (912) |
| Loss from operations | 5 | (719) | (8,533) |
| Finance costs | | (361) | (837) |
| Share of results of an associate | | — | (411) |
| Loss on disposal of subsidiaries | 18 | (62) | (3,519) |
| Loss before taxation | | (1,142) | (13,300) |
| Taxation | 6 | — | (59) |
| Loss before minority interests | | (1,142) | (13,359) |
| Minority interests | | 120 | 84 |
| Net loss for the period | | (1,022) | (13,275) |
| Loss per share | | | |
| — Basic | 7 | (0.05) cents | (2.59) cents |
| — Diluted | 7 | (0.04) cents | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

At 31st January, 2004

| | Notes | 31st January, 2004 HK\$'000 (unaudited) | 31st July, 2003 HK\$'000 (audited) |
|---|-------|--|---|
| Non-Current Assets | | | |
| Investment properties | 8 | 18,165 | 23,165 |
| Property, plant and equipment | | 51 | 79 |
| Goodwill | 9 | 4,907 | 762 |
| Deposit paid for the acquisition of investment property | 10 | 1,674 | — |
| Promissory note receivables | | 22,000 | 22,000 |
| | | 46,797 | 46,006 |
| Current Assets | | | |
| Properties held for sale | | 26,441 | 25,341 |
| Inventories, at cost | | 959 | 1,260 |
| Trade and other receivables | 11 | 11,603 | 5,503 |
| Trading securities | | 4,234 | 1,952 |
| Bank balances and cash | | 18,379 | 21,106 |
| | | 61,616 | 55,162 |
| Current Liabilities | | | |
| Trade and other payables | 12 | 10,585 | 3,119 |
| Taxation payable | | — | 1 |
| Promissory note payables | 13 | — | 3,051 |
| Secured bank loans | | | |
| — due within one year | 14 | 938 | 1,546 |
| | | 11,523 | 7,717 |
| Net Current Assets | | | |
| | | 50,093 | 47,445 |
| Total assets less current liabilities | | | |
| | | 96,890 | 93,451 |
| Minority Interests | | | |
| | | 1,338 | 601 |
| Non-Current Liabilities | | | |
| Secured bank loans | | | |
| — due after one year | 14 | 8,691 | 12,967 |
| Convertible note payables | 15 | 3,000 | — |
| Deferred tax liabilities | 16 | — | — |
| | | 11,691 | 12,967 |
| | | 83,861 | 79,883 |
| Capital and Reserves | | | |
| Share capital | 17 | 23,314 | 20,814 |
| Reserves | | 60,547 | 59,069 |
| | | 83,861 | 79,883 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2004

| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 | Capital reduction reserve HK\$'000 | Capital redemption reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------|--------------------------------|---|--|-----------------------------------|-------------------|
| THE GROUP | | | | | | | |
| At 1st August, 2002 | 192,960 | 250,952 | 157 | – | 268 | (344,314) | 100,023 |
| Capital reduction | (188,136) | (250,952) | – | 170,583 | – | 268,505 | – |
| Issue of shares on private placement | 964 | 4,724 | – | – | – | – | 5,688 |
| Expenses incurred in connection with issue of shares | – | (227) | – | – | – | – | (227) |
| Net loss for the period | – | – | – | – | – | (13,275) | (13,275) |
| At 31st January, 2003 and 1st February, 2003 | 5,788 | 4,497 | 157 | 170,583 | 268 | (89,084) | 92,209 |
| Issue of shares on private placement | 1,150 | 3,450 | – | – | – | – | 4,600 |
| Issue of shares on rights issue | 13,876 | – | – | – | – | – | 13,876 |
| Expenses incurred in connection with issue of shares | – | (123) | – | – | – | – | (123) |
| Net loss for the period | – | – | – | – | – | (30,679) | (30,679) |
| At 31st July, 2003 and 1st August, 2003 | 20,814 | 7,824 | 157 | 170,583 | 268 | (119,763) | 79,883 |
| Conversion of convertible notes | 2,500 | 2,500 | – | – | – | – | 5,000 |
| Net loss for the period | – | – | – | – | – | (1,022) | (1,022) |
| At 31st January, 2004 | <u>23,314</u> | <u>10,324</u> | <u>157</u> | <u>170,583</u> | <u>268</u> | <u>(120,785)</u> | <u>83,861</u> |



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2004

| | Six months ended 31st January, | |
|---|-----------------------------------|---------------------------------|
| | 2004 HK\$'000 (unaudited) | 2003 HK\$'000 (unaudited) |
| Net cash used in operating activities | (1,828) | (13,009) |
| Tax paid | (1) | — |
| | <u>(1,829)</u> | <u>(13,009)</u> |
| Net cash (used in) from investing activities: | | |
| Net cash inflow from disposal of interests in subsidiaries | 2,392 | 7,998 |
| Proceeds from disposal of investment properties | 4,380 | 175 |
| Purchase of investment properties | (1,674) | — |
| Acquisition of subsidiaries | (5,908) | — |
| Increase in loan receivables | — | (6,000) |
| Other investing cash flows | 208 | 428 |
| | <u>(602)</u> | <u>2,601</u> |
| Net cash (used in) from financing activities: | | |
| Proceeds from issue of convertible notes | 8,000 | — |
| Proceeds from issue of shares | — | 5,461 |
| New bank loans obtained | — | 15,665 |
| Repayment of promissory note payables | (3,051) | (11,407) |
| Repayment of bank loans | (4,625) | (3,140) |
| Other financing cash flows | (361) | (725) |
| | <u>(37)</u> | <u>5,854</u> |
| Net decrease in cash and cash equivalents | (2,468) | (4,554) |
| Cash and cash equivalents at beginning of the period | 20,847 | 9,862 |
| Cash and cash equivalents at end of the period, representing bank balances and cash | <u>18,379</u> | <u>5,308</u> |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st January, 2004

1. BASIS OF PREPARATION

The condensed 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 Rule") and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st July, 2003, except as described below.

In the current period, the Group adopted, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the HKSA, the term of HKFRS is inclusive of SSAPs and Interpretations approved by the HKSA, which has resulted in the adoption of the following new and revised accounting policy.

Income Taxes

In the current period, the Group adopted SSAP 12 (Revised) "Income Taxes" ("SSAP 12 (Revised)"). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior periods. Accordingly, no prior period adjustment has been recognized.

4. OTHER OPERATING INCOME

Included in other operating income was unrealized exchange gain on properties held for sale of approximately HK\$3,500,000 (six months ended 31st January, 2003: Nil).

5. LOSS FROM OPERATIONS

Loss from operations for the six months ended 31st January, 2004 has been arrived at after charging depreciation of approximately HK\$2,000 (six month ended 31st January, 2003: HK\$645,000) in respect of the Group's property, plant and equipment.

6. TAXATION

| | Six months ended 31st January, | |
|--|---|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Current tax: | | |
| Hong Kong | — | — |
| Other jurisdictions | — | 59 |
| | <hr/> | <hr/> |
| Taxation attributable to the Company and its subsidiaries | <u>—</u> | <u>59</u> |

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no assessable profit for the period. The Hong Kong Profits Tax rate has been increased with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st July, 2003.

The current taxation for the six months ended 31st January, 2003 represented the provision for the People's Republic of China Income Tax. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

7. LOSS PER SHARE

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

| | Six months ended 31st January, | |
|--|---|--------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Loss for the purposes of basic loss per share (Net loss for the period) | (1,022) | <u>(13,275)</u> |
| Effect of dilutive potential ordinary shares: Interest on convertible notes | <u>47</u> | |
| Loss for the purposes of diluted loss per share | <u>(975)</u> | |
| Weighted average number of ordinary shares for the purposes of basic loss per share | 2,082,757,364 | <u>512,262,599</u> |
| Effect of dilutive potential ordinary shares: Convertible notes | <u>233,423,913</u> | |
| Weighted average number of ordinary shares for the purposes of diluted loss per share | <u>2,316,181,277</u> | |

No diluted loss per share for six months ended 31st January, 2003 is presented as there was no dilutive potential ordinary shares outstanding during that period.

8. INVESTMENT PROPERTIES

The investment properties of the Group are held for rental purposes under operating leases and were revalued at 31st July, 2003 on an open market value basis by an independent firm of professional valuers, chartered surveyors.

At 31st January, 2004, the directors have considered the carrying amount of the Group's investment properties and have estimated that the carrying amount does not differ significantly from that would be determined using fair values at that date. Accordingly, the same revaluation at 31st July, 2003 has been adopted by the directors for those properties and included in the condensed financial statements.

9. GOODWILL

Goodwill of approximately HK\$4,335,000 arose from acquisition of subsidiaries as set out in note 19. Goodwill of approximately HK\$190,000 (six months ended 31st January, 2003: HK\$1,880,000) was amortised. The amortization period adopted for the goodwill ranges from 3 to 20 years.

10. DEPOSIT PAID FOR THE ACQUISITION OF INVESTMENT PROPERTY

At 31st January, 2004, the deposit was paid for the acquisition of investment property at a consideration of HK\$8,371,000.

11. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 to 90 days to its trade customers. At 31st January, 2004, the balance of trade and other receivables included trade receivables of HK\$8,615,000 (31.7.2003: HK\$714,000). An aged analysis of trade receivables at the reporting date is as follows:

| | 31st January, 2004 HK\$'000 | 31st July, 2003 HK\$'000 |
|------------------|--|--------------------------------|
| 0 to 60 days | 4,207 | 52 |
| 61 to 90 days | 1,055 | 3 |
| 91 days or above | 3,353 | 659 |
| | 8,615 | 714 |

12. TRADE AND OTHER PAYABLES

At 31st January, 2004, the balance of trade and other payables included trade payables of HK\$7,166,000 (31.7.2003: HK\$835,000). An aged analysis of trade payables at the reporting date is as follows:

| | 31st January, 2004 | 31st July, 2003 |
|------------------|-------------------------------|--------------------|
| | HK\$'000 | HK\$'000 |
| 0 to 60 days | 4,160 | 556 |
| 61 to 90 days | 1,106 | 145 |
| 91 days or above | 1,900 | 134 |
| | 7,166 | 835 |

13. PROMISSORY NOTE PAYABLES

At 31st July, 2003, the promissory note payables were unsecured and bore interest at Hong Kong best lending rate. The amounts were fully settled during the period.

14. SECURED BANK LOANS

During the six months ended 31st January, 2004, the Group settled bank loans of approximately HK\$4,625,000. The loans bear interest at prevailing market rates and are repayable in instalments over the remaining period of 8 years.

15. CONVERTIBLE NOTE PAYABLES

On 5th September, 2003, the Company entered into a conditional placing agreement with a placing agent in relation to the placing of the HK\$8,000,000, 2% redeemable convertible notes due in 2005 in an aggregate principle amount of HK\$8,000,000 (the "Convertible Notes").

At 31st January, 2004, the balance represents the HK\$3,000,000, 2% redeemable convertible notes due in 2005. The convertible notes can be converted into 150,000,000 ordinary shares of the Company at a conversion price of HK\$0.02 per share, subject to adjustments.

16. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognized by the Group and movements thereon during the current and prior reporting periods:

| | Accelerated tax depreciation <i>HK\$'000</i> | Tax losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|--|---------------------------------|
| At 1st August, 2002 | | | |
| — as previously reported | — | — | — |
| — adjustment on adoption of SSAP 12 (Revised) | 1,043 | (1,043) | — |
| As restated | 1,043 | (1,043) | — |
| Charge (credit) to income for the period | 156 | (156) | — |
| At 31st January, 2003 | 1,199 | (1,199) | — |
| (Credit) charge to income for the period | (32) | 32 | — |
| At 31st July, 2003 | 1,167 | (1,167) | — |
| Charge (credit) to income for the period | 47 | (47) | — |
| At 31st January, 2004 | 1,214 | (1,214) | — |

At 31st January, 2004, the Group had unused tax losses of HK\$12,822,000 (31.7.2003: HK\$11,914,000) available for offset against future profits and deductible temporary difference of HK\$453,000 (31.7.2003: HK\$465,000) in respect of accelerated accounting depreciation. A deferred tax asset has been recognized in respect of HK\$6,937,000 (31.7.2003: HK\$6,669,000) of such losses. No deferred tax assets have been recognized in respect of the remaining unused losses of HK\$5,885,000 (31.7.2003: HK\$5,245,000) and the deductible temporary differences due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

17. SHARE CAPITAL

| | Number of ordinary shares | Amount HK\$'000 |
|--|------------------------------|--------------------|
| Authorised: | | |
| At 31st July, 2003 and 31st January, 2004, at HK\$0.01 each | <u>12,250,000,000</u> | <u>122,500</u> |
| Issued and fully paid: | | |
| At 31st July, 2003, at HK\$0.01 each | 2,081,398,668 | 20,814 |
| Conversion of convertible notes | <u>250,000,000</u> | <u>2,500</u> |
| At 31st January, 2004, at HK\$0.01 each | <u>2,331,398,668</u> | <u>23,314</u> |

On 30th January, 2004, the Convertible Notes with HK\$5,000,000 principal amount were converted into 250,000,000 ordinary shares of the Company at a conversion price of HK\$0.02 per share. The new shares converted rank pari passu with the existing shares in all respects.

18. DISPOSAL OF A SUBSIDIARY

On 15th August, 2003, the Group entered into a sale and purchase agreement to dispose of its entire interest in Kan Hock Investment and Developments Limited at a consideration of HK\$2,400,000. A loss of approximately HK\$62,000 was resulted on the disposal of the subsidiary.

The subsidiary did not have any significant contribution to the results of the Group during the interim period.

19. ACQUISITION OF SUBSIDIARIES

On 30th January, 2004, the Group acquired 80% of the issued share capital of Consecutive Profits Limited ("CPL"), at a cash consideration of HK\$6,000,000. The principal assets of CPL is 82.5% equity interest in Century 21 Hong Kong Limited, which is engaged in the business of franchising estate agency work, real estate project management and related undertakings. This transaction has been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

| | <i>HK\$'000</i> |
|--|-----------------------|
| Net assets acquired | 1,665 |
| Goodwill arising on acquisition | <u>4,335</u> |
| Cash consideration | <u><u>6,000</u></u> |
| Net cash outflow arising on acquisition: | |
| Cash consideration paid | (6,000) |
| Bank balances and cash acquired | <u>92</u> |
| | <u><u>(5,908)</u></u> |

The subsidiaries did not make any significant contribution to the results of the Group during the interim period.

20. CAPITAL COMMITMENT

At 31st January, 2004, capital commitment of HK\$6,697,000 (31.7.2003: Nil) was contracted for but not provided in the interim report in respect of acquisition of investment property.



21. POST BALANCE SHEET EVENTS

Subsequent to the interim reporting date, the Group had the following post balance sheet events:

- (a) On 6th February, 2004, the Company entered into a placing agreement with a placing agent and Success Field Group Limited ("Success Field") (the "Placing Agreement"), which beneficially owns 592,864,000 ordinary shares of HK\$0.01 each in the share capital of the Company. Pursuant to the Placing Agreement, the placing agent would procure, on a best effort basis, purchasers to acquire and Success Field would sell 400,000,000 shares at the price of HK\$0.02 per share and Success Field has conditionally agreed to subscribe 400,000,000 new shares at the subscription price of HK\$0.02 per share (the "Subscription"). The net proceeds of the Subscription are estimated to be approximately HK\$7.7 million and are expected to be used as general working capital of the Group and for the Group's property investments and real estate franchising and agency business.
- (b) On 24th March, 2004, the Company entered into a placing agreement with a placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on a fully underwritten basis, 538,000,000 placing shares to not fewer than six independent investors at a price of HK\$0.02 per placing share. The placing is conditional upon, among other things, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting approval for the listing of, and permission to deal in, the placing shares and the passing of the relevant resolution. The placing was approved at the extraordinary general meeting of the Company held on 22nd April, 2004. The net proceeds of approximately HK\$10.3 million from the placing will be used to finance the Group's purchase of properties and other investment-related projects. The placing has not been completed at the date of this report.
- (c) On 30th March, 2004, Yoshiya Finance Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party, to dispose of its entire 70% equity interest in Marcella Asia Limited, at a consideration of HK\$700,000. Marcella Asia Limited is engaged in the sale of silk products.
- (d) On 30th March, 2004, the Company entered into a sale and purchase agreement with an independent third party, to dispose of Hegel Trading Limited, a wholly owned subsidiary of the Company, at a consideration of HK\$3,000,000. The transaction is expected to be completed on or before 30th April, 2004. Hegel Trading Limited is engaged in the business of property investment.

INDEPENDENT REVIEW REPORT

德勤 • 關黃陳方會計師行

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**Deloitte
Touche
Tohmatsu**

TO THE BOARD OF DIRECTORS OF CAPITAL ESTATE LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 14.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied

unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st January, 2004.

Deloitte Touche Tohmatsu

Certified Public Accountants

22nd April, 2004

INTERIM DIVIDEND

The board of directors of the Company (the "Board") has resolved not to declare an interim dividend for the six months ended 31st January, 2004 (six months ended 31st January, 2003: Nil).

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$14.5 million for the six months ended 31st January, 2004, representing a decrease of 58.1% from approximately HK\$34.6 million for the corresponding period in the last year. The decrease in turnover was mainly due to the decrease in sales generated from property sale of approximately HK\$17.3 million and sale of silk products and tourism of approximately HK\$9.7 million. The decrease in turnover was partly offset by the increase in turnover generated from financial investment of approximately HK\$7.6 million. The Group recorded a net loss of approximately HK\$1.02 million for the six months ended 31st January, 2004 compared to a net loss of approximately HK\$13.3 million in last period.

LIQUIDITY AND FINANCIAL RESOURCES

The cash balance of the Group decreased by 12.8% from approximately HK\$21.1 million at 31st July, 2003 to approximately HK\$18.4 million at 31st January, 2004, but the net working capital increased by 5.7% from approximately HK\$47.4 million at 31st July, 2003 to approximately HK\$50.1 million at 31st January, 2004.

The Group's short-term bank borrowing has been decreased from approximately HK\$1.5 million as at 31st July, 2003 to approximately HK\$0.9 million as at 31st January, 2004, and long-term bank borrowing has been decreased from approximately HK\$13 million as at 31st July, 2003 to approximately HK\$8.7 million as at 31st January, 2004. As a result, the Group's total bank borrowing has been decreased from approximately HK\$14.5 million as at 31st July, 2003 to approximately HK\$9.6 million as at 31st January, 2004 and the total debt-to-equity ratio was increased to 27.7% at 31st January, 2004 (31st July, 2003: 25.9%). All bank borrowings were denominated in HK dollars and were on a floating rate basis at Hong Kong best lending rate. The maturity profile spreads over a period of 8 years with approximately HK\$0.9 million repayable within one year, HK\$3.4 million repayable between one to five years, and HK\$5.3 million over five years.

EXCHANGE RATE EXPOSURE

Except for certain properties held for sale in Japan which arose an unrealized exchange gain of HK\$3.5 million, all assets, liabilities and transactions of the Group are denominated in Hong Kong dollars and US dollars.

BUSINESS REVIEW

During the period under review, the local economy gradually recovered following the successful control of severe acute respiratory syndrome (SARS), the various measures taken by the government to revive the local property market and the granting of individual travel permits to Hong Kong by PRC cities. Aided by such economic recovery, the Group has managed to continue to improve its financial performance, and the net loss of the Group decreased to approximately HK\$1.02 million compared to that of HK\$13.3 million recorded for the same period last year.

Property investment and development

As previously announced, the Group's corporate strategy is to focus primarily on its core business of property investment, development and related undertakings. Towards this end, in January 2004 the Group has successfully completed its acquisition of 66% indirect interests in Century 21 Hong Kong Limited ("Century 21"), whose principal activities include the business of franchising estate agency work, real estate project management and related undertakings. As a result of the consolidation of Century 21 at the period end, the trade receivables and payables have been increased to HK\$8,615,000 (31.7.2003: HK\$714,000) and HK\$7,166,000 (31.7.2003: HK\$835,000) respectively.

In relation to property investment, following the revival in the local property market, the Group has successfully managed to dispose of, as part of the Group's continuing effort in maximizing return on investment, certain property investments yielding less than satisfactory returns. Further, the Group has also successfully managed to acquire two prime commercial units for investment purposes, one of which was subsequently disposed of prior to the completion of its purchase and at a profit.

Other businesses

Operated by the Group's subsidiary, Marcello Asia Limited, focus was maintained via its retail shop in selling mainly silk and clothing products and targeting foreign tourists visiting Hong Kong. Whilst operating results had improved compared to those recorded during period of the outbreak of SARS, a loss of HK\$0.4 million was recorded by this division during the period under review, notwithstanding the government's effort in promoting the local tourism industry and the granting of individual travel permits to Hong Kong by PRC cities. In towards minimizing further losses which the Group may continue to suffer, Marcello Asia Limited was disposed of following the period under review.

The Group also has investments in the equity and bond markets which mainly comprised of debt security instruments with high credit ratings yielding stable interest return.

Prospects

Aided by the recent recovery in investors' confidence in the local equity market, the Group has successfully managed to raise approximately HK\$7.8 million via the issuance and placement of redeemable convertible notes during the period under review. Shortly following the period under review, the Group has again successfully managed to raise a further approximately HK\$7.7 million additional capital via the placement of new shares. Furthermore, as announced on 25th March 2004, the Group has proposed and approved by shareholders on 22nd April, 2004, to raise approximately HK\$10.3 million as further additional capital via placement of new shares.

In light of the recent recovery in the local property market, the Group intends to make good use of its strengthened financial resources in continuing to focus on its core business of property investment, development and related undertakings. Further, the Group believes that the newly acquired businesses operated by Century 21, together with its brand name, franchise network and management's experience in the property market, would greatly enhance business opportunities available to the Group and in furtherance of its development in property related undertakings and thus in strengthening the Group's revenue and income base.

CONTINGENT LIABILITIES

At 31st January, 2004, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary amounting to HK\$8,957,000 (31.7.2003: HK\$9,380,000).

As at 31st July, 2003, the Company has given guarantees to promissory note holders to secure the payment of outstanding principal and interest of promissory note payables of HK\$3,051,000 issued by its subsidiaries. During the six month ended 31st January, 2004, the promissory note payables were settled and the guarantees were released.

PLEDGE OF ASSETS

At 31st January, 2004, certain investment properties of the Group amounting to approximately HK\$16,340,000 (31.7.2003: HK\$23,165,000) had been pledged to banks to secure credit facilities to the extent of HK\$14,254,000 (31.7.2003: HK\$16,665,000) granted to the Group of which approximately HK\$9,629,000 (31.7.2003: HK\$14,254,000) was utilised by the Group.

EMPLOYEE

The Group offers its employees competitive remuneration packages.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES

As at 31st January, 2004, the Directors and the chief executive of the Company had or was deemed to have the following interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange and the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

| Name of Director | Company/name of associated corporation | Long/short position | Capacity | Number of securities | Approximate percentage of total shareholding (%) |
|------------------|--|---------------------|------------------|-------------------------------|--|
| Ng Kai Man | Company | Long | Beneficial owner | 20,800,000 shares (Note 1) | 0.89% |
| | Consecutive Profits Limited | Long | Beneficial owner | 2 shares (Note 2) | 20% |
| | Century 21 Hong Kong Limited | Long | Beneficial owner | 194,000 shares (Note 2) | 5% |

Notes:

1. These shares are subject to a share option granted to the Director under the share option scheme adopted by the Company on 30th December, 2002.
2. Century 21 Hong Kong Limited is a 82.5% non wholly owned subsidiary of Consecutive Profits Limited.

Save as disclosed above, as at 31st January, 2004, none of the Directors and the chief executive of the Company and their respective associates hold any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDER

As at 31st January, 2004, the following interests in the shares and underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of SFO:

| Name | Long/short position | Capacity | Number of underlying shares | Approximate percentage of shareholdings |
|--|----------------------------|------------------------------------|------------------------------------|--|
| Capital Strategic Investment Limited (Note 1) | Long | Interest in controlled corporation | 592,864,000 shares | 25.43% |

Note:

1. These 592,864,000 Shares were held by Success Field Group Limited, a wholly-owned subsidiary of Super Master Group Limited, which is in turn a wholly-owned subsidiary of Capital Strategic Investment Limited.

Save as disclosed above, 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, 2004.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31st January, 2004.

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

During the six months ended 31st January, 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 31st January, 2004, in compliance with the Code of Best Practice stipulated in Appendix 14 to the Listing Rules except that independent non-executive directors are not appointed for a specific term as they are subject to rotation at annual general meetings in accordance with Article 94 and 103(A) of the Company's Articles of Association.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Choo Yeow Ming
Executive Chairman

Hong Kong, 22nd April, 2004

As at the date hereof, the board of directors of the Company is comprised of six directors, of whom four are executive directors, namely, Mr. Choo Yeow Ming (Executive Chairman), Mr. Ng Kai Man, Luke (Deputy Chairman), Ms. Ma Wai Man, Catherine, Mr. Chow Hou Man, and two independent non-executive directors, namely, Mr. Miu, Frank H. and Mr. Li Chok Sun, Sean.