



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



2004/2005

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 six months ended 31st January, 2005 together with comparative figures for the previous period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2005

		Six months ended 31st January	
Notes		2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Turnover	3	12,431	14,464
Cost of sales		(1,123)	(1,191)
Direct cost of sales of properties		(8,808)	—
Direct cost on property rental		(777)	(794)
Direct cost on trading securities sold		—	(7,140)
		1,723	5,339
Gross profit		2,975	3,764
Other operating income		(3,725)	(8,971)
Administrative expenses		—	(620)
Loss on disposal of investment properties		13,140	(41)
Unrealised holding gain (loss) on investments in securities		(113)	(190)
Amortization of goodwill arising on acquisition of subsidiaries		14,000	(719)
Profit(loss) from operations	4	(193)	(361)
Finance costs		—	(62)
Loss on disposal of subsidiaries		13,807	(1,142)
Profit(loss) before taxation		—	—
Taxation	5	13,807	(1,142)
Profit(loss) before minority interests		13,807	(1,142)
Minority interests		(110)	120
Net profit(loss) for the period		13,697	(1,022)
Earnings(loss) per share	6	0.41 cents	(0.05) cents
— Basic		0.40 cents	(0.04) cents
— Diluted			

CONDENSED CONSOLIDATED BALANCE SHEET

At 31st January, 2005

	Notes	31st January, 2005 HK\$'000 (unaudited)	31st July, 2004 HK\$'000 (audited)
Non-Current Assets			
Investment properties	7	19,780	19,780
Property, plant and equipment		123	104
Deferred tax assets	14	17	17
Goodwill		4,306	4,419
		24,226	24,320
Current Assets			
Properties held for sale		29,257	35,580
Trade and other receivables	8	5,932	6,281
Investments in securities	10	25,131	8,392
Promissory note receivables	9	20,000	22,000
Tax recoverable		79	—
Bank balances and cash		46,900	24,269
		127,299	96,522
Current Liabilities			
Trade and other payables	11	7,996	7,124
Tax payable		—	20
Bank borrowings — due within one year	12	989	1,234
		8,985	8,378
Net Current Assets			
		118,314	88,144
Total assets less current liabilities			
		142,540	112,464
Minority Interests			
		994	885
Non-Current Liabilities			
Bank borrowings — due after one year	12	7,745	8,243
Convertible note payables	13	—	3,000
		7,745	11,243
		133,801	100,336
Capital and Reserves			
Share capital	15	40,694	32,694
Reserves		93,107	67,642
		133,801	100,336

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2005

	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, 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 and 1st February, 2004	23,314	10,324	157	170,583	268	(120,785)	83,861
Issue of shares on private placement	9,380	9,380	–	–	–	–	18,760
Expenses incurred in connection with issue of shares	–	(446)	–	–	–	–	(446)
Net loss for the period	–	–	–	–	–	(1,839)	(1,839)
At 31st July, 2004 and 1st August, 2004	32,694	19,258	157	170,583	268	(122,624)	100,336
Conversion of convertible notes (note 15(a))	1,500	1,500	–	–	–	–	3,000
Issue of shares on private placement (note 15(b))	6,500	10,725	–	–	–	–	17,225
Expenses incurred in connection with issue of shares	–	(457)	–	–	–	–	(457)
Net profit for the period	–	–	–	–	–	13,697	13,697
At 31st January, 2005	<u>40,694</u>	<u>31,026</u>	<u>157</u>	<u>170,583</u>	<u>268</u>	<u>(108,927)</u>	<u>133,801</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January 2005

	Six months ended 31st January	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Net cash from (used in) operating activities	7,559	(1,828)
Tax paid	(98)	(1)
	7,461	(1,829)
Net cash used in investing activities:		
Acquisition of investment in securities	(3,503)	—
Other investment cash flows	842	208
Proceeds from disposal of investment properties	—	4,380
Net cash inflow from disposal of interests in subsidiaries	—	2,392
Acquisition of subsidiaries	—	(5,908)
Purchase of investment properties	—	(1,674)
	(2,661)	(602)
Net cash from (used in) from financing activities:		
Net proceeds from issue of shares	16,768	—
Receipt of promissory note receivables	2,000	—
Repayment of bank loans	(478)	(4,625)
Other financing cash flows	(193)	(361)
Proceeds from issue of convertible notes	—	8,000
Repayment of promissory note payables	—	(3,051)
	18,097	(37)
Net increase (decrease) in cash and cash equivalents	22,897	(2,468)
Cash and cash equivalents at beginning of the period	24,003	20,847
Cash and cash equivalent at end of the period, representing bank balances and cash	46,900	18,379

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st January, 2005

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 and with the Statement of Standard Accounting Practices 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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, 2004.



3. SEGMENT INFORMATION

Business segments

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

For the six months ended 31st January, 2005

	Property rental HK\$'000	Financial investment HK\$'000	Property sale HK\$'000	Estate agency HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	234	–	10,050	2,147	12,431
SEGMENT RESULT					
	(274)	11,550	2,093	323	13,692
Unallocated corporate income					469
Unallocated corporate expenses					(161)
Profit from operations					14,000

For the six months ended 31st January, 2004

	Continuing operations		Discontinuing operations		Consolidated
	Property rental HK\$'000	Financial investment HK\$'000	Property sale HK\$'000	Sale of silk products HK\$'000	HK\$'000
TURNOVER					
External sales	455	7,645	–	6,364	14,464
SEGMENT RESULT					
	(507)	542	3,501	(400)	3,136
Unallocated corporate expenses					(3,855)
Loss from operations					(719)

4. PROFIT (LOSS) FROM OPERATIONS

Profit (loss) from operations for the six months ended 31st January, 2005 has been arrived at after charging depreciation of HK\$24,000 (six month ended 31st January, 2004: HK\$2,000) in respect of the Group's property, plant and equipment.

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for the period.

6. EARNINGS (LOSS) PER SHARE

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

	Six months ended 31st January	
	2005 HK\$'000	2004 HK\$'000
Earnings (loss) for the purpose of basic earnings (loss) per share	13,697	(1,022)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	12	47
Earnings (loss) for the purposes of diluted earnings (loss) per share	13,709	(975)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	3,334,072,581	2,082,757,364
Effect of dilutive potential ordinary shares:		
Convertible notes	131,250,000	233,423,913
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	3,465,322,581	2,316,181,277

7. INVESTMENT PROPERTIES

The investment properties of the Group are held for rental purposes under operating leases and were revalued at 31st July, 2004 on an open market value basis by an independent firm of professional valuers, chartered surveyors.

At 31st January, 2005, 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.

8. TRADE AND OTHER RECEIVABLES

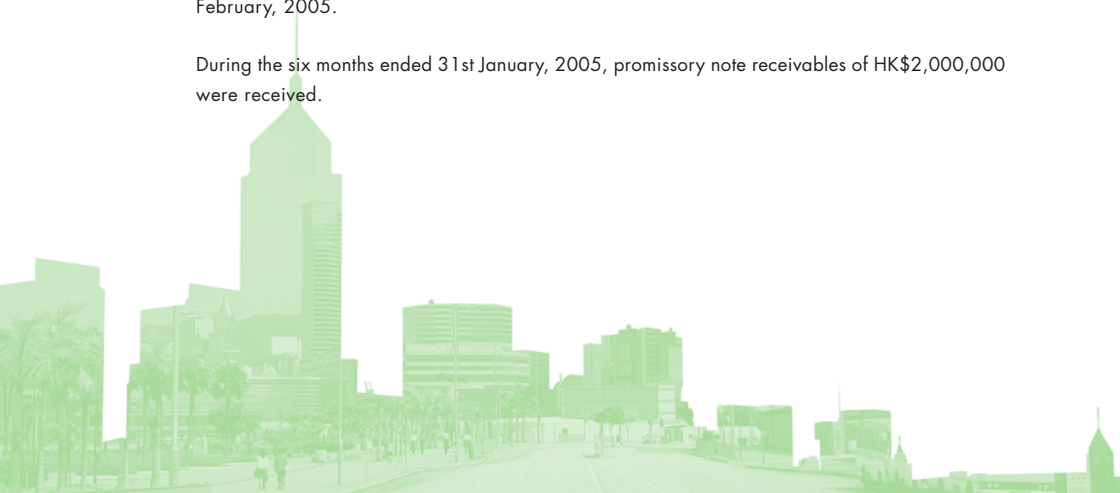
The Group allows a credit period from 30 to 90 days to its trade customers. At 31st January, 2005, the balance of trade and other receivables included trade receivables of HK\$3,762,000 (31st July, 2004: HK\$4,450,000). An aging analysis of trade receivables at the reporting date is as follows:

	31st January, 2005 HK\$'000	31st July, 2004 HK\$'000
0 to 60 days	1,174	2,402
61 to 90 days	512	146
91 days or above	2,076	1,902
	3,762	4,450

9. PROMISSORY NOTE RECEIVABLES

The promissory note receivables are unsecured, bear interest at 5% per annum and due on 27th February, 2005.

During the six months ended 31st January, 2005, promissory note receivables of HK\$2,000,000 were received.



10. INVESTMENTS IN SECURITIES

During the six months ended 31st January, 2005, the Group acquired investment in securities of HK\$3,503,000 and recognized an unrealized holding gain of HK\$13,140,000.

11. TRADE AND OTHER PAYABLES

At 31st January, 2005, the balance of trade and other payables included trade payables of HK\$2,363,000 (31st July, 2004: HK\$2,382,000). An aged analysis of trade payables at the reporting date is as follows:

	31st January, 2005 HK\$'000	31st July, 2004 HK\$'000
0 to 60 days	741	1,589
61 to 90 days	464	491
91 days or above	1,158	302
	<u>2,363</u>	<u>2,382</u>

12. BANK BORROWINGS

During the six months ended 31st January, 2005, the Group settled bank loans of approximately HK\$478,000. The loans bear interest at prevailing market rates and are repayable in instalments over the remaining period of 8 years.

13. CONVERTIBLE NOTE PAYABLES

During the six months ended 31st January, 2005, all convertible notes were converted into 150,000,000 ordinary shares of the Company at conversion price of HK\$0.02 per share as set out in note 15.



14. DEFERRED TAX ASSETS

The followings are the major deferred tax (assets) liabilities recognised 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, 2003	1,132	(1,132)	—
Charge (credit) to income statement	66	(66)	—
At 31st January, 2004	1,198	(1,198)	—
Charge (credit) to income statement	50	(67)	(17)
At 31st July, 2004	1,248	(1,265)	(17)
Charge (credit) to income statement	67	(67)	—
At 31st January, 2005	1,315	(1,332)	(17)

At 31st January, 2005, the Group had unused tax losses of HK\$50,049,000 (31st July, 2004: HK\$47,648,000) available for offset against future profits and deductible temporary difference of HK\$214,000 (31st July, 2004: HK\$232,000) in respect of accelerated tax depreciation. A deferred tax asset has been recognised in respect of HK\$7,613,000 (31st July, 2004: HK\$7,229,000) of such losses. No deferred tax assets have been recognized in respect of the remaining unused losses of HK\$42,436,000 (31st July, 2004: HK\$40,419,000) and the deductible temporary differences due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.



15. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
At 31st July, 2004 and 31st January, 2005, at HK\$0.01 each	12,250,000,000	122,500
Issued and fully paid:		
At 1st August, 2004, at HK\$0.01 each	3,269,398,668	32,694
Conversion of convertible notes (<i>note a</i>)	150,000,000	1,500
Issue of shares on private placement on: 19th January, 2005 (<i>note b</i>)	650,000,000	6,500
At 31st January, 2005, at HK\$0.01 each	4,069,398,668	40,694

- (a) In January 2005, the HK\$3,000,000 2% redeemable convertible notes due 2005 were converted into 150,000,000 ordinary shares of HK\$0.01 each of the Company at a conversion price of HK\$0.02 per share. The new shares rank *pari passu* with the existing shares in all respects.
- (b) On 5th January, 2005, arrangement was made for private placements to independent investors of 650,000,000 new shares of the Company at HK\$0.01 each at placing price of HK\$0.0265 per share, representing a discount of approximately 5.4% to the closing market price of the Company's share on 19th January, 2005. The net proceeds have been used to finance the Group's general working capital for operating activities, property investments and real estate franchising and agency business. The 650,000,000 new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 16th December, 2004. The new shares rank *pari passu* with other shares in issue in all respects.

16. POST BALANCE SHEET EVENTS

- (a) On 5th January, 2004, the Company entered into a conditional placing agreement (the "CB Placing Agreement") with Kingston Securities Limited (the "Placing Agent") in relation to the convertible notes to be issued by the Company in an aggregate principal amount of HK\$36.4 million (the "Convertible Notes"). Pursuant to the CB Placing Agreement, the Placing Agent agreed to place, on a fully underwritten basis, to not fewer than six independent corporate or individual investors. The Convertible Notes which carry a right to convert into new ordinary shares of HK\$0.01 each in the share capital of the Company at a conversion price of HK\$0.028 per share. The placing of the Convertible Notes was conditional upon, among other things, the Listing Committee of the Stock Exchange of Hong Kong Limited having granted listing of and permission to deal in the new shares to be issued upon the exercise of the conversion rights attached to the Convertible Notes and the passing of the relevant resolution for the approval of the issue of the Convertible Notes at an extraordinary general meeting of the Company. The placing of the Convertible Notes was completed on 7th March, 2005.
- (b) On 4th April, 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of an investment property at a consideration of HK\$2,900,000 and a net gain of approximately HK\$1,362,000. The transaction will be completed on or before 30th May, 2005.



INDEPENDENT REVIEW REPORT

Deloitte.

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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 12.

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 Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

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

Review work performed

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

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31st January, 2005.

Deloitte Touche Tohmatsu

Certified Public Accountants

20th April, 2005



INTERIM DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 31st January, 2005 (six months ended 31st January, 2004: Nil).

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$12.4 million for the six months ended 31st January, 2005, representing a decrease of 14.5% from approximately HK\$14.5 million for the corresponding period in the last year. The decrease in turnover was mainly due to the decrease in sales generated from financial investment of approximately HK\$7.6 million and sale of silk products of approximately HK\$6.4 million. The decrease in turnover was partly offset by the increase in turnover generated from sale of property of approximately HK\$10 million. The Group recorded a net profit of approximately HK\$13.7 million for the six months ended 31st January, 2005 compared to a net loss of approximately HK\$1 million in the last period. The improvement was mainly derived from the unrealized holding gain on investment in securities of approximately HK\$13.1 million.

LIQUIDITY AND FINANCIAL RESOURCES

The cash balance of the Group increased by 93% from approximately HK\$24.3 million at 31st July, 2004 to approximately HK\$46.9 million at 31st January 2005, and the net working capital increased by 34.3% from approximately HK\$88.1 million at 31st July, 2004 to approximately HK\$118.3 million at 31st January 2005.

The Group's short-term bank borrowing has been decreased from approximately HK\$1.2 million as at 31st July, 2004 to approximately HK\$1 million as at 31st January, 2005, and long-term bank borrowing has been decreased from approximately HK\$8.3 million as at 31st July, 2004 to approximately HK\$7.7 million as at 31st January, 2005. As a result, the Group's total bank borrowings has been decreased from approximately HK\$9.5 million as at 31st July, 2004 to approximately HK\$8.7 million as at 31st January, 2005, and the total debt-to-equity ratio was decreased to 12.5% at 31st January, 2005. (At 31st July, 2004: 19.6%). All bank borrowings were denominated in HK dollars and were on a floating rate basis at Hong Kong best lending rates. The maturity profile spread over a period of 8 years with approximately HK\$1 million repayable within one year, HK\$5.5 million repayable between one to five years, and HK\$2.2 million over five years.

EXCHANGE RATE EXPOSURE

Except for certain properties held for sale in Japan, all assets, liabilities and transactions of the Group are denominated in Hong Kong dollars. The fluctuation of foreign currencies did not have a significant impact on the performance of the Group.

BUSINESS REVIEW

The period under review saw the continuing improvement in the local economy in light of the recent surges in local property prices and transaction volume, and the continuing benefit to the retail sectors brought about by increasing number of mainland visitors traveling under individual travel permits granted by PRC local provinces. Aided by such economic improvement, the Group has successfully managed to turnaround its financial performance, and a net profit of approximately HK\$13.7 million was recorded, compared to a net loss of HK\$1 million for the same period last year.

Property investment and development

The Group's corporate strategy is to focus primarily on its core businesses of financial investment, property investment, development, estate agency and related undertakings. As for property investment, following the Group's previous efforts in realizing certain property investments so as to maximize the Group's return on investment, the Group has successfully disposed of a prime commercial unit acquired in January 2004 and thereby generating a profit of approximately HK\$1.36 million.

Further, the Group has been actively seeking out other investment opportunities in the property sector in general, both in Hong Kong and Macau. To this end, various potential property investments were looked into, however so far none of them have met the Group's stringent investment criteria in terms of risk and return. Nevertheless, the Group will continue to seek out and, if thought fit, capture any appropriate investment opportunities which may arise in these areas.

As for the businesses carried on by the Group's subsidiary, Century 21 Hong Kong Limited ("Century 21"), namely those of franchising estate agency work, real estate project management and related undertakings, they have remained stable during the period under review, with the number of franchisees of the "Century 21" name growing from 70 as at 1st August, 2004 to 110 currently with 4 franchisee shops in Macau.

Prospects

Aided by the high level of activity and investors' interests in the local equity market, the Group has successfully managed to raise approximately HK\$52.4 million via the issuance and placement of new shares and redeemable convertible notes in the Company during the period under review, and thereby significantly strengthening the Group's financial standing and flexibility in making appropriate investments.

In light of the continuing improvement in the economy and in the property market in particular, both in Hong Kong and Macau, the Group intends to make good use of its strengthened financial resources in focusing on its core business of property investment, development and related undertakings. Further, the Group continues to believe that the 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, 2005, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary amounting to HK\$8,087,000 (31st July, 2004: HK\$8,525,000).

PLEDGE OF ASSETS

At 31st January, 2005, certain investment properties of the Group amounting to approximately HK\$17,780,000 (at 31st July, 2004: HK\$17,780,000) had been pledged to banks to secure credit facilities to the extent of HK\$10,750,000 (at 31st July, 2004: HK\$10,750,000) granted to the Group of which approximately HK\$8,692,000 (at 31st July, 2004: HK\$9,163,000) was utilised by the Group.

EMPLOYEE

The Group offers its employees competitive remuneration packages.



DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARE

At 31st January, 2005, 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 ("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) Share options

Name of Director	Capacity	Number of options held	Number of underlying shares
Ng Kai Man, Luke	Beneficial owner	27,300,000	27,300,000
Ma Wai Man, Catherine	Beneficial owner	27,300,000	27,300,000
Chow Hou Man	Beneficial owner	27,300,000	27,300,000
		<u>81,900,000</u>	<u>81,900,000</u>

(b) Ordinary shares of US\$1 each of Consecutive Profits Limited ("CPL"), a 80% owned subsidiary of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CPL
Ng Kai Man	Beneficial owner	2	20%

(c) Ordinary shares of HK\$1 each of the Century 21 Hong Kong Limited, a 82.5% owned subsidiary of CPL

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of CPL
Ng Kai Man	Beneficial owner	194,000	5%

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, 2005.

Arrangements to purchase shares or debentures

Other than as disclosed in the section "Share Options", at no time during the year 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 debenture 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 SHAREHOLDER

As at 31st January, 2005, 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	859,864,000 shares	21.13%
Chung Cho Yee, Mico (Note 2)	Long	Interest in controlled corporation	859,864,000 shares	21.13%

Note :

- These 859,864,000 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 ("Capital Strategic").
- As 31st January, 2005, Mr. Chung Cho Yee, Mico ("Mr. Chung") together with Earnest Equity Limited, held 165,623,250 shares, represented 43.19% of Capital Strategic. Earnest Equity Limited, a company incorporated under the laws of the British Virgin islands, is wholly owned by Digisino Assets Limited in its capacity as the sole trustee and for the benefit of a discretionary trust founded and established by Mr. Chung. Digisino Assets Limited, a company incorporated under the laws of the British Virgin Islands, is wholly owned by Mr. Chung. Mr. Chung is deemed to be interested in 859,864,000 shares of the Company.

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, 2005.

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, 2005.

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

During the six months ended 31st January, 2005, 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, 2005, 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
Ma Wai Man, Catherine
Company Secretary

Hong Kong, 20th April, 2005

As at the date hereof, the board of directors of the Company is comprised of seven directors, of whom four are executive directors, namely, Dato' Choo Yeow Ming (Executive Chairman), Mr. Ng Kai Man, Luke (Deputy Chairman), Ms. Ma Wai Man, Catherine, Mr. Chow Hou Man, and three independent non-executive directors, namely, Mr. Miu, Frank H., Mr. Sin Chi Fai and Ms. Ng Yuk Yee, Feona.