CAPITAL ESTATE LIMITED
冠中地產有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 193)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST JULY, 2006

The board of directors (the "Board") of Capital Estate Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st July, 2006, together with comparative figures for the previous financial year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST JULY, 2006

	NOTES	**2006** ***HK$'000***	2005 *HK$'000* *(as restated)*
Revenue	*4*	**408,852**	25,713
Direct cost on property rental		**(1,680)**	(1,557)
Direct cost of sales of properties		**—**	(8,808)
Direct cost on estate agency services		**(2,799)**	(2,437)
Direct cost on investments held for trading sold		**(401,248)**	(9,580)
Reversal of allowance for properties held for sale		**—**	487
Gross profit		**3,125**	3,818
Other income		**10,987**	1,320
Decrease in fair value of investment properties		**(19,768)**	—
Surplus on revaluation of investment properties		**—**	8,860
Administrative expenses		**(19,184)**	(11,602)
Gain on disposal of investment properties		**—**	1,383
Amortisation of goodwill		**—**	(226)
Changes in fair value of investments held for trading		**66,739**	—
Unrealised holding gain on trading securities		**—**	4,958
Changes in fair value of derivative financial instruments		**(765)**	(854)
Finance costs	*5*	**(568)**	(808)
Profit before taxation	*6*	**40,566**	6,849
Taxation	*7*	**(11,584)**	(210)
Profit for the year		**28,982**	6,639

Attributable to:			
Equity holders of the Company		**28,900**	6,398
Minority interests		**82**	241
		28,982	6,639
Earnings per share	*8*		
Basic		**2.60 cents**	3.19 cents
Diluted		**2.52 cents**	3.16 cents

CONSOLIDATED BALANCE SHEET

AT 31ST JULY, 2006

	NOTES	**2006** *HK$'000*	2005 *HK$'000* *(as restated)*
Non-current assets			
Investment properties		**34,568**	27,160
Property, plant and equipment		**814**	399
Deferred tax assets		**49**	6
Goodwill		**4,193**	4,193
Investments in securities		**—**	8,932
Available-for-sale investments		**116,250**	—
		155,874	40,690
Current assets			
Properties held for sale		**206**	27,382
Derivative financial instruments		**283**	660
Trade and other receivables	*9*	**13,455**	9,636
Investments in securities		**—**	24,054
Investments held for trading		**101,826**	—
Certificate of deposit		**8,996**	—
Promissory note receivables		**4,000**	10,000
Taxation recoverable		**75**	—
Pledged bank deposit		**614**	—
Bank balances and cash		**237,318**	70,571
		366,773	142,303
Current liabilities			
Trade and other payables	*10*	**12,803**	10,435
Derivative financial instruments		**1,163**	775
Taxation payable		**11,595**	87
Bank borrowings — due within one year		**903**	887
Bank overdrafts		**84**	484
		26,548	12,668

Net current assets	**340,225**	129,635
Total assets less current liabilities	**496,099**	170,325
Non-current liabilities		
Bank borrowings — due after one year	**5,920**	6,793
Convertible note payables	**—**	3,101
	5,920	9,894
	490,179	160,431
Capital and reserves		
Share capital	**338,717**	52,544
Reserves	**150,244**	106,761
Equity attributable to equity holders of the Company	**488,961**	159,305
Minority interests	**1,218**	1,126
	490,179	160,431

NOTES:

1. GENERAL

The 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 consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "Listing Rules") and by the Companies Ordinance.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT(s)") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business Combinations

HKFRS 3 "Business Combinations" is effective for business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combinations between the period from 1st January, 2005 to 31st July, 2005. On 1st August, 2005, the Group has applied the relevant transitional provision of HKFRS 3. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions after 1st August, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st August, 2005 eliminated the carrying amount of the related accumulated amortisation of HK$339,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1st August, 2005 onwards and such goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

The principal impact of HKAS 32 and HKAS 39 on the Group is in relation to convertible notes issued by the Company that contain an early redemption option, a liability component and an equity component. Previously, convertible notes were classified as liability on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument to separate the compound financial instrument into liability component and equity component on initial recognition and to account for these components separately. HKAS 39 requires derivative embedded in a non-derivative host contract to be accounted as separate derivative when its economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. At the date of issue, the early redemption option derivative and liability component are recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of financial liability (including the early redemption option) from the fair value of the compound financial instrument as a whole. Issue costs are apportioned between the components of the convertible notes based on their relative fair value at the date of issue. The portion relating to the derivative is charged directly to profit or loss. In subsequent periods, the liability component is measured at amortised cost, using the effective interest method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The early redemption option derivative is subsequently measured at fair value at each balance sheet date. Because HKAS 32 requires retrospective application, comparative figures in relation to the separation of the liability component (including the early redemption option) and the equity component have been restated. Comparative profit for 2005 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st July, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit or loss for the period in which gains or losses arise. Unrealised gains or losses of " non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st August, 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st August, 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. Held-to-maturity securities of HK$8,932,000 classified under non-current assets have been reclassified to "loan and receivables" as the certificate of deposit are not quoted in an active market. Trading securities of HK$24,054,000 classified under current assets were reclassified to investments held for trading (see note 3 for financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1st August, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no effect on the Group's profit for both years.

Derivatives and hedging

By 31st July, 2005, the derivatives which represent futures and options held for trading purposes are re-measured to their fair values. Fair values are obtained by reference to quoted market prices or independently sourced rates, using valuation models. The gain or loss arising is recognised in the income statement. Unrealised gains and losses on trading derivatives that are marked to market are included under current assets and current liabilities, respectively.

From 1st August, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. The adoption of HKAS 39 has had no effect on the Group's profit for both years.

Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st August, 2005. In relation to share options granted before 1st August, 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st August, 2005. As there were no share options that were granted after 7th November, 2002 and remained unvested on 1st August, 2005, comparative figures for 2005 have not been restated (see note 3 for the financial impact).

Investment Properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st August, 2005 onwards. Accordingly, property interest held for undetermined use/ capital appreciation purpose amounted to HK$27,176,000 is reclassified from properties held for sale to investment properties. The adoption of HKAS 40 has had no effect on the Group's profit for both years.

Deferred Taxes related to Investment Properties

In previous years , deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current period, the Group has applied HKAS — INT 21 "Income Taxes — Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS-INT 21, this change in accounting policy has been applied retrospectively. The change in accounting policy has no significant impact on the comparatives figures of the Group.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of changes in the accounting polices described in note 2 on the results of the Group for the current and prior years are as follows:

	Effect of adopting	**2006**	2005
		HK$'000	*HK$'000*
Decrease in amortisation of goodwill	HKFRS 3	**226**	—
Increase in share-based payments expenses	HKFRS 2	**(5,961)**	—
(Increase) decrease in effective interest on the liability component of convertible notes	HKAS 32	**(27)**	496
(Decrease) increase in profit for the year		**(5,762)**	496

The cumulative effects of the application of the new HKFRSs to the Group's balance sheet as at 31st July, 2005 and 1st August, 2005 are summarised below:

	As at 31st July, 2005 *(as originally stated)*	*Adjustments*	As at 31st July, 2005 *(as restated)*	*Adjustments*	**As at 1st August, 2005** ***(as restated)***
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Balance sheet items					
Impact of HKAS 32 and HKAS 39					
Investment in securities	32,986	—	32,986	(32,986)	**—**
Certificate of deposit	—	—	—	8,932	**8,932**
Investments held for trading	—	—	—	24,054	**24,054**
Convertible note payables	(3,220)	119	(3,101)	—	**(3,101)**
Impact of HKAS 40					
Properties held for sale	27,382	—	27,382	(27,176)	**206**
Investment properties	27,160	—	27,160	27,176	**54,336**
Total effects on assets and liabilities	84,308	119	84,427	—	**84,427**
Accumulated losses	(116,722)	517	(116,205)	—	**(116,205)**
Share premium	52,356	(490)	51,866	—	**51,866**
Convertible notes equity reserve	—	92	92	—	**92**
Minority interests	—	1,126	1,126	—	**1,126**
Total effects on equity	(64,366)	1,245	(63,121)	—	**(63,121)**
Minority interests	1,126	(1,126)	—	—	**—**

The financial effects of the application of the new HKFRSs to the Group's equity on 1st August, 2004 are summarised below:

	As originally stated *HK$'000*	Adjustments *HK$'000*	As restated *HK$'000*
Accumulated losses	(122,624)	21	(122,603)
Convertible notes equity reserve	—	166	166
Share premium	19,258	(48)	19,210
Minority interests	—	885	885
Total effects in equity	(103,366)	1,024	(102,342)
Minority interests	885	(885)	—

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HKFRS — INT 4	Determining whether an arrangement contains a lease[2]
HKFRS — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) — INT 6	Liabilities arising from participating in a specific market — waste electrical and electronic equipment[3]
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 "Financial reporting in hyperinflationary economies"[4]
HK(IFRIC) — INT 8	Scope of HKFRS 2[5]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives[6]
HK(IFRIC) — INT 10	Interim financial reporting and impairment[7]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.
[5] Effective for annual periods beginning on or after 1st May, 2006.
[6] Effective for annual periods beginning on or after 1st June, 2006.
[7] Effective for annual periods beginning on or after 1st November, 2006.

4. REVENUE, BUSINESS AND GEOGRAPHICAL SEGMENTS

Revenue and business segments

For management purposes, the Group is currently organised into four operating divisions — property rental, financial investment, property sale and estate agency. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property rental — leasing of properties
Financial investment — trading of listed securities
Property sale — sale of properties held for sale
Estate agency — provision of estate agency services

Segment information about these businesses is presented below:

	Property rental	Financial investment	Property sale	Estate agency	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INCOME STATEMENT					
For the year ended 31st July, 2006					
REVENUE					
External sales	411	402,908	—	5,533	408,852
SEGMENT RESULT	(21,448)	72,593	—	288	51,433
Unallocated corporate income					1,135
Unallocated corporate expenses					(11,434)
Finance costs					(568)
Profit before taxation					40,566
Taxation					(11,584)
Profit for the year					28,982

	Property rental	Financial investment	Property sale	Estate agency	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INCOME STATEMENT					
For the year ended 31st July, 2005					
REVENUE					
External sales	472	10,251	10,050	4,940	25,713
SEGMENT RESULT	6,387	1,421	(786)	862	7,884
Unallocated corporate income					105
Unallocated corporate expenses					(332)
Finance costs					(808)
Profit before taxation					6,849
Taxation					(210)
Profit for the year					6,639

Geographical segments

The Group's current operations are mainly located in Hong Kong, Macau and Japan. The Group's property rental businesses are carried out in Hong Kong. Financial investment division, property sale division and estate agency division are all located in Hong Kong.

Segment information about these geographic markets is presented below:

	Revenue by geographical market	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**408,852**	25,713

5. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
		(as restated)
Interest on:		
Borrowings wholly repayable within five years:		
Bank borrowings	**36**	23
Convertible notes	**44**	437
	80	460
Borrowings not wholly repayable within five years:		
Bank borrowings	**488**	348
	568	808

6. PROFIT BEFORE TAXATION

	2006	2005
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**9,673**	2,342
Other staff costs	**3,451**	3,526
Retirement benefit scheme contributions, excluding directors	**143**	204
Total employee benefit expenses	**13,267**	6,072
Auditors' remuneration:		
Current year	**825**	680
Underprovision in prior years	**164**	49
Allowance for bad and doubtful debts	**—**	40
Depreciation	**639**	87
Bank and other interest income	**(5,650)**	(616)
Dividend income from investments held for trading	**(4,822)**	—
Interest income on promissory note receivables	**—**	(93)
Interest income on trading securities	**—**	(284)
Dividend income from trading securities	**—**	(205)
Realised loss on trading in options	**739**	—
Realised (gain) loss from investments held for trading	**(921)**	1,107

7. TAXATION

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Current tax	**11,627**	199
Deferred tax	**(43)**	11
	11,584	210

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

8. EARNINGS PER SHARE

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

	2006	2005
	HK$'000	*HK$'000*
		(as restated)
Earnings:		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to equity holders of the Company	**28,900**	6,398
Interest on convertible notes	**44**	437
Earnings for the purpose of diluted earnings per share	**28,944**	6,835

	2006	2005
		(as restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,112,306,128**	200,585,146
Effect of dilutive potential ordinary shares:		
— convertible notes	**2,847,922**	15,745,198
— warrants	**32,211,109**	—
— share options	**785,089**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,148,150,248**	216,330,344

The weighted average number of ordinary shares for the year ended 31st July, 2005 for the purpose of calculating the basic and diluted earnings per share has been adjusted to reflect the effects of share consolidation, rights issue and share subdivision during the year.

The following table summarises the impact on basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	2006	2005	**2006**	2005
	HK cents	*HK cents*	***HK cents***	*HK cents*
Figures before adjustment	**3.12**	2.94	**3.02**	2.79
Adjustments arising from changes in accounting policies *(see note 3)*	**(0.52)**	0.25	**(0.50)**	0.37
Restated	**2.60**	3.19	**2.52**	3.16

9. TRADE AND OTHER RECEIVABLES

At 31st July, 2006, the balance of trade and other receivables of the Group included trade receivables of HK$2,824,000 (2005: HK$3,043,000). An aged analysis of trade receivables is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	**662**	756
61 to 90 days	**208**	242
91 days or above	**1,954**	2,045
	2,824	3,043

The Group allows an average credit period of 30 days to its trade customers.

In the opinion of the directors, the fair values of the Group's trade and other receivables and the Company's other receivables at 31st July, 2006 approximate their corresponding carrying amounts.

10. TRADE AND OTHER PAYABLES

At 31st July, 2006, the balance of trade and other payables of the Group included trade payables of HK$618,000 (2005: HK$1,182,000). An aged analysis of trade payables is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 60 days	**246**	282
61 to 90 days	**92**	98
91 days or above	**280**	802
	618	1,182

In the opinion of the directors, the fair values of the Group's trade and other payables and the Company's other payables at 31st July, 2006 approximate their corresponding carrying amounts.

REVIEW OF THE RESULTS

The Group reported an increased turnover of approximately HK$408.9 million for the year ended 31st July, 2006, compared to that of approximately HK$25.7 million recorded last year. The increase in revenue was mainly due to the increase in sales from financial investment approximately HK$392.6 million, which was partly offset by the decrease in revenue of approximately HK$10 million from property sale.

Net profit after tax attributable to equity holders of the Company for the year ended 31st July, 2006 amounted to HK$28.9 million. (2005: HK$6.4 million). The improvement of results was mainly attributable to the increase in interest and dividend income and unrealized holding gain on investments held for trading, which was partly offset by the downward revaluation of investment properties and increase in administration costs.

DIVIDEND

The Directors do not recommend the payment of any dividends for the year ended 31st July, 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a liquid position. Its cash balance, all in Hong Kong dollars, increased from approximately HK$70.6 million at 31st July, 2005 to HK$237.3 million at 31st July, 2006, whereas total bank borrowings reduced from approximately HK$7.7 million at 31st July, 2005 to HK$6.8 million at 31st July, 2006. The gearing ratio of the Group, expressed as the percentage of the Group's total liabilities over the shareholders' fund improved significantly from 14.1% to 6.6%. All bank borrowings were denominated in HK dollars and were on a floating rate basis at Hong Kong best lending rates less 1%. The maturity profile spreads over a period of 7 years with approximately HK$0.9 million repayable within one year, HK$4.3 million repayable within 2-5 years, and HK$1.6 million over five years.

EXCHANGE RATE EXPOSURE

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

BUSINESS REVIEW

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

Riding on the robust economic development in Hong Kong and Macau, the Group captured various opportunities and increased its presence in the property and hotel sectors through active investment and acquisitions.

On 3rd January, 2006, the Group acquired a 10% equity interest in Tin Fok Holdings Company Limited ("Tin Fok") in Macau for a total consideration of HK$60.0 million. Tin Fok holds a 100% interest in Hotel Fortuna, a popular 20-storey three-star hotel at the heart of the San Hau Ngor district within walking distance from the business and shopping centre.

According to the data from the Statistics and Census Service of Macau, visitor arrivals totaled 1.8 million in July 2006, representing a year-on-year increase of 8.2%. In the first seven months of 2006, visitor arrivals reached 12.2 million, a 15.4 % growth over the same period of last year. Hotel Fortuna, being newly renovated, has become increasingly popular among tourists. Its turnover was in excess of HK$ 115 million for the year ended 31st December, 2005 (2004: HK$58 million), and continued to improve and reached HK$100 million for the ensuing six months.

On 3rd April, 2006, the Group acquired further a 5% interest in Sociedade de Investimento Imboiliáro Pun Keng Wan, SARL (the "Macau Company") in Macau for a consideration of HK$56.25 million. The Macau Company owns 100% interest in a piece of land located at Avenida Commercial de Macau — Baia de Praia Grande, Zona A "Lote 9", a prestige site for the proposed development of a 57-storey luxurious residential building. The total gross floor area of the proposed development including the car parking basements and club house is approximately 78,400 sq.m.. The site is currently vacant and there is no concrete plan yet as to the exact timing of the commencement of the proposed development.

The Group's subsidiary, Century 21 Hong Kong Limited, continued to expand steadily in its business of franchising estate agency works, real estate project management and related undertakings, and endeavored to enhance its overall operational efficiency and profitability. The number of franchisees of "Century 21" has increased from 120 at 31st July, 2005 to 130 currently, with 4 franchisee shops in Macau.

During the year, the Group has strengthened its financial resources through various fund raising exercises, which facilitates the anticipated expansion of its property portfolio. In October 2005, the Group raised approximately HK$206.0 million after expenses through rights issue, followed by HK$51.8 million raised through the placing of new shares in July 2006.

The Group also received net proceeds of approximately HK$12.8 million from the placing of unlisted warrants in May 2006 with a term of one year. The warrants, if fully exercised, would bring in additional capital of approximately HK$53.0 million from the consequential allotments of new shares. To date, new shares in the aggregate amount of HK$ 21.0 million have been issued upon the partial exercise of these warrants.

PROSPECTS

In Macau, the flourishing gaming and tourism industries, accompanied by the growing GDP and influx of workers and professionals, continues to drive demand of hotel and resorts facilities, and high-end residential properties.

In view of the robust economy and supportive developments, the investments in Macau recently acquired by the Group are expected to yield a satisfactory return in the foreseeable future. The Group will continue to explore opportunities to enhance shareholder value and expand its business horizon.

To realize its goals, the Group has been constantly carrying out researches, assessments and studies of investment projects or proposals that may arise from time to time. The Group focuses on opportunities in Macau and the neighbouring Guangdong Province, which include development projects of hotels and resorts, and luxury residential properties.

REWARD FOR EMPLOYEES

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

PLEDGE OF ASSETS

At 31st July, 2006, investment properties of HK$24,700,000 (2005: HK$25,000,000) and bank deposit of HK$614,000 (2005: Nil) of the Group had been pledged to banks to secure credit facilities to the extent of HK$10,600,000 (2005: HK$10,000,000) granted to the Group of which HK$6,798,000 (2005: HK$7,680,000) was utilised by the Group.

CONTINGENT LIABILITIES

At 31st July, 2006, the Company has outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary which were utilised amounting to HK$6,906,000 (2005: HK$8,164,000).

POST BALANCE SHEET EVENT

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

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

During the year ended 31st July, 2006, the Company complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, except for the following deviations:

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

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

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

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

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 year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st July, 2006 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises Mr. Li Sze Kuen, Billy (Chairman), Mr. Wong Kwong Fat and Mr Leung Kam Fai, all of whom are independent non-executive directors. The principal functions of the Audit Committee include the review and supervision of the Group's reporting process and internal controls.

The Audit Committee has reviewed the audited results of the Group for the year ended 31st July, 2006.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

ANNUAL GENERAL MEETING

The 2006 Annual General Meeting of the Company will be held on Friday, 22nd December, 2006. The Notice of Annual General Meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

BOOK CLOSURE

The register of members will be closed from Tuesday, 19th December, 2006 to Friday, 22nd December, 2006, both dates inclusive, during which period no transfer of shares will be registered. In order to determine the identity of members who are entitled to attend and vote at the Annual General Meeting to be held on Friday 22nd December, 2006, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712 — 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on Monday, 18th December, 2006.

By order of the Board
Chu Nin Yiu, Stephen
Executive Chairman

Hong Kong, 21st November, 2006

As of the date of this announcement, the Board comprises Mr. Chu Nin Yiu, Stephen, Mr. Chu Nin Wai, David, Mr. Lau Chi Kan, Michael as executive directors and Mr. Li Sze Kuen, Billy, Mr. Wong Kwong Fat and Mr. Leung Kam Fai as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.