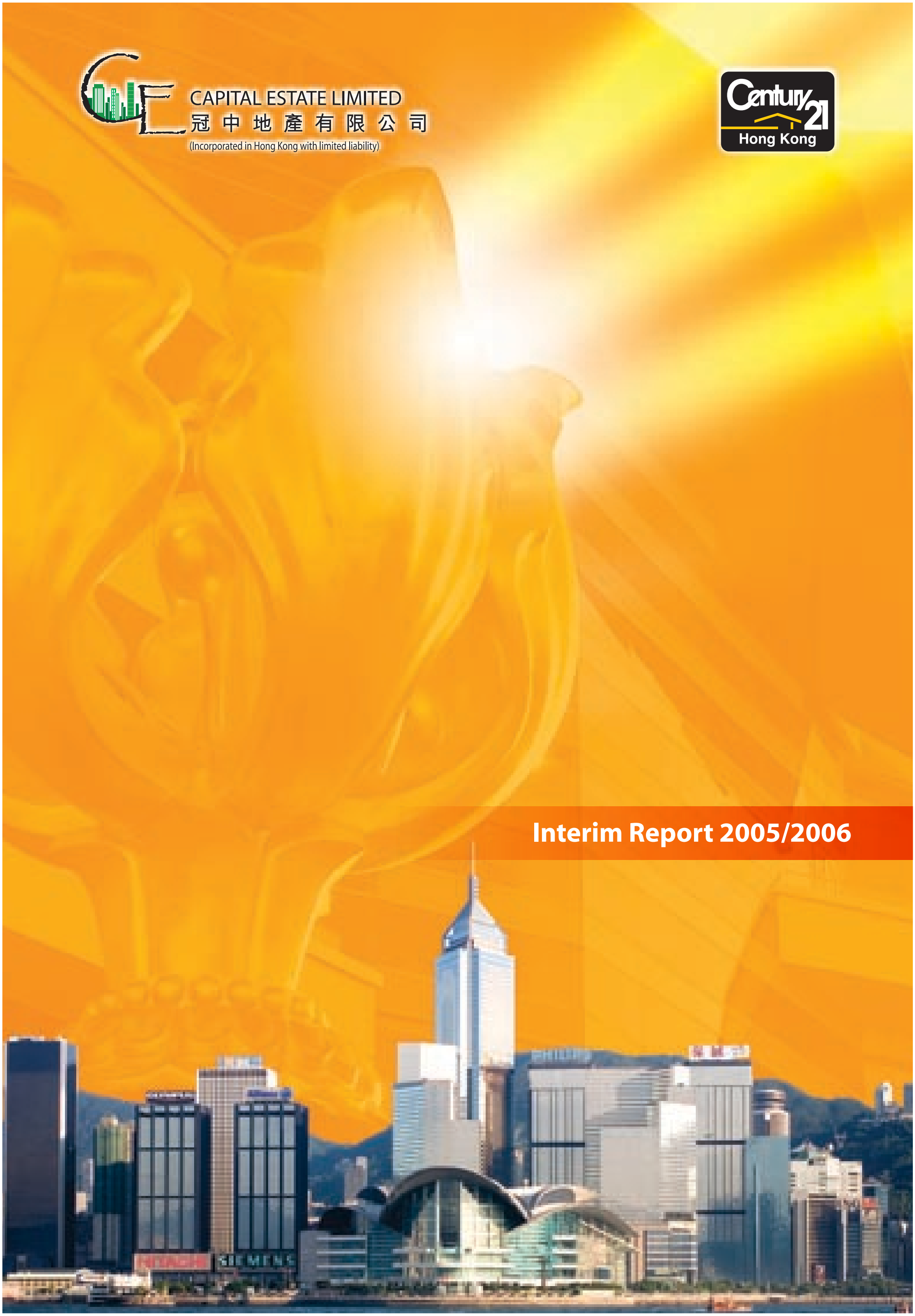

CAPITAL ESTATE LIMITED
冠中地產有限公司
(Incorporated in Hong Kong with limited liability)

Century 21 Hong Kong

Interim Report 2005/2006

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Chu Nin Yiu, Stephen *(Executive Chairman)*
Chu Nin Wai, David *(Deputy Chairman)*
Lau Chi Kan, Michael

Independent Non-Executive Directors

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

Company Secretary

Hung Yat Ming

Authorised Representatives

Chu Nin Yiu, Stephen
Hung Yat Ming

Audit Committee

Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

Remuneration Committee

Chu Nin Yiu, Stephen
Li Sze Kuen, Billy
Wong Kwong Fat
Leung Kam Fai

Legal Advisers

Richards Butler

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank, Limited

Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Registered Office

Unit 1901, 19th Floor
Asia Orient Tower, Town Place
33 Lockhart Road
Wan Chai, Hong Kong

Stock Code

193

INDEPENDENT REVIEW REPORT

Deloitte.
德勤

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 5 to 23.

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 Hong Kong Accounting Standard 34 "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, 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25th April, 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2006

	Notes	Six months ended 31st January, 2006 HK$'000 (unaudited)	2005 HK$'000 (unaudited and restated)
Turnover	3	**47,744**	12,431
Property rental income		**210**	234
Estate agency income		**2,611**	2,147
Sale of properties		**—**	10,050
Net realised loss on disposal of investments held for trading/derivative financial instruments		**(5,225)**	—
Unrealised gain on investment held for trading/derivative financial instruments		**4,425**	—
Unrealised gain on investments in securities		**—**	13,140
Direct cost on property rental		**(850)**	(777)
Direct cost on estate agency services		**(1,417)**	(1,123)
Direct cost of sales of properties		**—**	(8,808)
Other income		**7,190**	2,975
Administrative expenses		**(6,374)**	(3,725)
Decrease in fair value of investment properties		**(1,844)**	—
Amortisation of goodwill arising on acquisition of subsidiaries		**—**	(113)
Finance costs		**(283)**	(244)
(Loss) profit before taxation	4	**(1,557)**	13,756
Taxation	5	**—**	—
(Loss) profit for the period		**(1,557)**	13,756
Attributable to:			
Equity holders of the Company		**(1,582)**	13,646
Minority interests		**25**	110
		(1,557)	13,756
(Loss) earnings per share	6		
— Basic		**(0.18 HK cent)**	8.06 HK cents
— Diluted		**(0.18 HK cent)**	7.79 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31ST JANUARY, 2006

	Notes	**31st January, 2006 HK$'000 (unaudited)**	31st July, 2005 HK$'000 (audited and restated)
Non-current assets			
Investment properties	7	**52,492**	27,160
Property, plant and equipment		**589**	399
Deferred tax assets		**6**	6
Goodwill		**4,193**	4,193
Investment in securities		**—**	8,932
Available-for-sale investments	8	**60,000**	—
		117,280	40,690
Current assets			
Properties held for sale		**206**	27,382
Derivative financial instruments		**73**	660
Trade and other receivables	9	**7,202**	9,636
Investments held for trading	10	**61,943**	—
Investment in securities		**—**	24,054
Promissory note receivables	11	**8,000**	10,000
Taxation recoverable		**63**	—
Certificate of deposits		**8,966**	—
Bank balances and cash		**183,011**	70,571
		269,464	142,303
Current liabilities			
Trade and other payables	12	**11,495**	10,435
Derivative financial instruments		**—**	775
Taxation payable		**—**	87
Bank borrowings — due within one year	13	**880**	1,371
		12,375	12,668
Net current assets		**257,089**	129,635
Total assets less current liabilities		**374,369**	170,325

	Notes	31st January, 2006 HK$'000 (unaudited)	31st July, 2005 HK$'000 (audited and restated)
Non-current liabilities			
Bank borrowings — due after one year	13	**6,375**	6,793
Convertible note payables	14	**—**	3,101
		6,375	9,894
		367,994	160,431
Capital and reserves			
Share capital	16	**264,931**	52,544
Reserves		**101,912**	106,761
Equity attributable to equity holders of the Company		**366,843**	159,305
Minority interests		**1,151**	1,126
		367,994	160,431

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2006

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Capital reduction reserve HK$'000	Capital redemption reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
THE GROUP										
At 1st August, 2004 as originally stated	32,694	19,258	157	170,583	268	–	(122,624)	100,336	–	100,336
Effect of changes in accounting policies (see note 2)	–	(48)	–	–	–	166	21	139	885	1,024
At 1st August, 2004 as restated	32,694	19,210	157	170,583	268	166	(122,603)	100,475	885	101,360
Profit for the period and recognised income for the period	–	–	–	–	–	–	13,646	13,646	110	13,756
Conversion of convertible notes	1,500	1,577	–	–	–	(166)	–	2,911	–	2,911
Issue of shares on private placement	6,500	10,725	–	–	–	–	–	17,225	–	17,225
Expenses incurred in connection with issue of shares	–	(457)	–	–	–	–	–	(457)	–	(457)
At 31st January, 2005 and 1st February, 2005	40,694	31,055	157	170,583	268	–	(108,957)	133,800	995	134,795
Loss for the period and recognised expense for the period	–	–	–	–	–	–	(7,248)	(7,248)	131	(7,117)
Recognition of equity component of convertible notes	–	–	–	–	–	1,043	–	1,043	–	1,043
Conversion of convertible notes	11,850	20,811	–	–	–	(951)	–	31,710	–	31,710
At 31st July, 2005 and 1st August, 2005	52,544	51,866	157	170,583	268	92	(116,205)	159,305	1,126	160,431
Loss for the period and total recognised expense for the period	–	–	–	–	–	–	(1,582)	(1,582)	25	(1,557)
Issue of shares on rights issue (note 16(a))	210,176	–	–	–	–	–	–	210,176	–	210,176
Conversion of convertible notes (note 16(b))	2,211	1,009	–	–	–	(92)	–	3,128	–	3,128
Expenses incurred in connection with issue of shares	–	(4,184)	–	–	–	–	–	(4,184)	–	(4,184)
At 31st January, 2006	264,931	48,691	157	170,583	268	–	(117,787)	366,843	1,151	367,994

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2006

	Six months ended 31st January,	
	2006	2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	**(34,252)**	7,559
Tax paid	**(150)**	(98)
	(34,402)	7,461
Net cash used in investing activities:		
Repayment of advances to third parties received	**30,000**	—
Proceeds from repayment of promissory note receivables	**2,000**	2,000
Acquisition of available-for-sale investments	**(60,000)**	—
Advances to third parties	**(30,000)**	—
Purchase of property, plant and equipment	**(241)**	—
Acquisition of investments in securities	**—**	(3,503)
Other investing cash flows	**—**	842
	(58,241)	(661)
Net cash from financing activities:		
Proceeds from issue of shares	**210,176**	16,768
Expenses paid in connection with the issue of shares	**(4,184)**	—
Repayment of bank loans	**(425)**	(478)
Other financing cash flows	**—**	(193)
	205,567	16,097
Net increase in cash and cash equivalents	**112,924**	22,897
Cash and cash equivalents at beginning of the period	**70,087**	24,003
Cash and cash equivalents at end of the period, representing bank balances and cash	**183,011**	46,900

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST JANUARY, 2006

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st July, 2005 except as described below.

In the current period, 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 (hereinafter collectively referred to as "new HKFRSs") issued by 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 the 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 or prior accounting periods are prepared and presented:

Business Combinations

In the current period, the Group has applied the transitional provisions of HKFRS 3 "Business Combinations". The principal effects of the application of the transitional provisions on goodwill arising from acquisition with agreement date before 1st January, 2005 are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions after 1st January, 2001 but before 1st January, 2005 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 on 1st August, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group 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 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 period. Comparative figures for 2005 have not been restated.

Financial Instruments

In the current period, 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. HKAS 39 requires derivative embedded in a non-derivative host contract to be accounted as separate derivative when its economic risk and characteristic 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 rate 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 2 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 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 certificate of deposits are not quoted in all active market. Trading securities of HK$24,054,000 classified under current assets were reclassified to investments held for trading (see note 2A 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 (loss) for both periods.

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 profit and loss account. 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 (loss) for both periods.

Share-based Payments

In the current period, 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 those share options granted after 7th November, 2002 but were vested before 1st August, 2005 in accordance with the relevant transitional provisions. Because 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.

Investment Properties

In the current period, 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. The adoption of HKAS 40 has had no effect on the Group's profit (loss) for both periods.

Deferred Taxes related to Investment Properties

In previous periods, 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 Interpretation 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 Interpretation 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.

2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of changes in the accounting polices described above on the results for the current and prior period are as follows:

	Six months ended 31st January, 2006 HK$'000	2005 HK$'000
Decrease in amortisation of goodwill	**113**	—
Increase in interest on the liability component of convertible notes	**(27)**	(51)
Decrease in loss (profit) for the period	**86**	(51)

The cumulative effects of the application of the new HKFRSs as at 31st July, 2005 and 1st August, 2005 are summarised below:

	As at 31st July, 2005 (originally stated) HK$'000	Adjustment HK$'000	As at 31st July, 2005 (restated) HK$'000	Adjustment HK$'000	As at 1st August, 2005 (restated) HK$'000
Balance sheet items					
Impact of HKAS 32 and HKAS 39					
Investment in securities	32,986	—	32,986	(32,986)	—
Certificate of deposits	—	—	—	8,932	8,932
Investments held for trading	—	—	—	24,054	24,054
Convertible note payables	(3,220)	119	(3,101)	—	(3,101)
Total effects on assets and liabilities	29,766	119	29,885	—	29,885
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 and interpretations that have been issued but are not effective. The Group is the process of assessing the impact of these new standards, amendments and interpretations in the period of initial application. The Group is net yet in a position to state whether the adoption of them would have a significant impact on the results of its operations and its financial position presented.

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]
HK(IFRIC) — INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) — 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]

[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, 2005.

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, 2006

	Property rental HK$'000	Financial investment HK$'000	Property sale HK$'000	Estate agency HK$'000	Consolidated HK$'000
TURNOVER					
External sales	210	44,923	—	2,611	47,744
SEGMENT RESULT	(2,790)	3,833	(5)	74	1,112
Unallocated corporate income					719
Unallocated corporate expenses					(3,105)
Finance costs					(283)
Loss before taxation					(1,557)

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)
Finance costs					(244)
Profit before taxation					13,756

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation for the six months ended 31st January, 2006 has been arrived at after charging depreciation of HK$51,000 (six months ended 31st January, 2005: HK$24,000) in respect of the Group's property, plant and equipment and after crediting dividend income from investments held for trading of HK$4,663,000 (six months ended 31st January, 2005: HK$108,000), bank interest income of HK$1,853,000 (six months ended 31st January, 2005: HK$146,000) and interest income on promissory notes of HK$12,000 (six months ended 31st January, 2005: HK$93,000).

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. (LOSS) EARNINGS PER SHARE

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

	Six months ended 31st January,	
	2006	2005
	HK$'000	HK$'000 (restated)
(Loss) earnings for the purposes of basic (loss) earnings per share	**(1,582)**	13,646
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**43**	63
(Loss) earnings for the purposes of diluted (loss) earnings per share	**(1,539)**	13,709

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**866,280,953**	169,354,217
Effect of dilutive potential ordinary shares:		
Convertible notes	**5,649,411**	6,666,844
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	**871,930,364**	176,021,061

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

	Impact on basic (loss) earnings per share Six months ended 31st January,		Impact on diluted (loss) earnings per share Six months ended 31st January,	
	2006	2005	**2006**	2005
	HK cents	HK cents	**HK cents**	HK cents
Figures before adjustments	**(0.19)**	8.09	**(0.19)**	7.82
Adjustments arising from changes in accounting policies (see note 2)	**0.01**	(0.03)	**0.01**	(0.03)
Reported/restated	**(0.18)**	8.06	**(0.18)**	7.79

For the purpose of calculating the basic and diluted (loss) earnings per share, the weighted average number of ordinary shares for the six months ended 31st January, 2005 had been adjusted to reflect the share consolidation, rights issue and share subdivision as set out in notes 16(a) and (c), respectively.

The computation of diluted (loss) earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those options was, higher than the average market price of shares during the six months ended 31st January, 2006 and 2005.

7. INVESTMENT PROPERTIES

During the current period, a piece of land of HK$27,176,000 situated in Japan was classified from properties held for sale to investment properties due to change in intention.

The fair value of the Group's investment properties at 31st January, 2006 have been arrived at on the basis of a valuation carried out on that date by CS Surveyors Limited and Chung, Chan & Associates, independent qualified professional valuers not connected to the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under freehold or operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. As at 31st January, 2006, the carrying amount of such property interest amounted to HK$52,492,000 (31st July, 2005: HK$54,336,000).

8. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments, representing the Group's 10% interest in the issued share capital of Tin Fok Holding Company Limited ("Tin Fok"), are stated at cost less impairment. The Group's interest in Tin Fok, a company incorporated in Macau with limited liability, was acquired during the period for a total consideration of HK$60,000,000. Tin Fok holds a 100% interest in Hotel Fortuna which is situated in Macau.

9. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 to 90 days to its trade customers. At 31st January, 2006, the balance of trade and other receivables included trade receivables of HK$2,523,000 (31st July, 2005: HK$3,043,000). An aged analysis of trade receivables at the reporting date is as follows:

	31st January, 2006 HK$'000	31st July, 2005 HK$'000
0 to 60 days	**707**	756
61 to 90 days	**285**	242
91 days or above	**1,531**	2,045
	2,523	3,043

10. INVESTMENTS HELD FOR TRADING

Investments held for trading as at 31st January, 2006 represent equity securities listed in Hong Kong which are carried at market value, determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

11. PROMISSORY NOTE RECEIVABLES

The promissory note receivables are unsecured and bear interest at 5% per annum.

During the six months ended 31st January, 2006, promissory note receivables of HK$2,000,000 were received.

12. TRADE AND OTHER PAYABLES

At 31st January, 2006, the balance of trade and other payables included trade payables of HK$996,000 (31st July, 2005: HK$1,182,000). An aged analysis of trade payables at the reporting date is as follows:

	31st January, 2006 HK$'000	31st July, 2005 HK$'000
0 to 60 days	**283**	282
61 to 90 days	**122**	98
91 days or above	**591**	802
	996	1,182

13. BANK BORROWINGS

During the six months ended 31st January, 2006, the Group settled bank loans of HK$425,000 and bank overdrafts of HK$484,000, respectively. The loans bear interest at prevailing market rates and are repayable in instalments over the remaining period of 7 years.

14. CONVERTIBLE NOTE PAYABLES

During the six months ended 31st January, 2006, all convertible notes were converted into 2,211,538 ordinary shares of the Company at the conversion price of HK$1.456 per share as set out in note 16(b).

All or some of the convertible notes are redeemable at the option of the Company. The Company shall have the option to redeem the whole or part of the outstanding principal amount of the convertible notes, a face value together with accrued interest.

The convertible notes contain three components, embedded derivative for early redemption, liability and equity elements. The directors of the Company had assessed the fair value of the early redemption right and consider the fair value is insignificant. Upon the application of HKAS 32 (See note 2 for details), the convertible notes were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity under the heading of "convertible notes equity reserve". The effective interest rate of the liability component is 5.5% per annum.

The fair value of the liability component of the convertible notes at 31st January, 2006 and 31st July, 2005 approximates the corresponding carrying amount.

15. DEFERRED TAX ASSETS

At 31st January, 2006, the Group had unused tax losses of HK$56,827,000 (31st July, 2005: HK$51,064,000) available for offset against future profits and deductible temporary difference of HK$273,000 (31st July, 2005: HK$258,000) in respect of accelerated tax depreciation. A deferred tax asset has been recognised in respect of HK$7,891,000 (31st July, 2005: HK$7,751,000) of such losses. No deferred tax assets have been recognised in respect of the remaining unused losses of HK$48,936,000 (31st July, 2005: HK$43,313,000) and the deductible temporary differences due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

16. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
At 1st August, 2005, at HK$0.01 each	12,250,000,000	122,500
Capital reorganisation		
— Share consolidation (note a (i))	(12,127,500,000)	—
— Increase during the period (note a (ii))	1,877,500,000	1,877,500
— Share subdivision (note c)	8,000,000,000	—
At 31st January, 2006, at HK$0.20 each	10,000,000,000	2,000,000
Issued and fully paid:		
At 1st August, 2005, at HK$0.01 each	5,254,398,668	52,544
Capital reorganisation		
— Share consolidation (note a (i))	(5,201,854,682)	—
Issue of shares on rights issue (note a)	210,175,944	210,176
Conversion of convertible notes (note b)	2,211,538	2,211
Capital reorganisation		
— Share subdivision (note c)	1,059,725,872	—
At 31st January, 2006, at HK$0.02 each	1,324,657,340	264,931

Notes:

(a) Pursuant to a circular dated 12th September, 2005, a prospectus dated 30th September, 2005 and resolutions passed on 29th September, 2005, a capital reorganisation (the "Capital Reorganisation") was approved with effect from 29th September, 2005, which involved:

(i) every 100 issued and unissued shares of HK$0.01 each in the share capital of the Company were consolidated into one new ordinary share of HK$1.00 each (the "Consolidated Share(s)") in the share capital of the Company (the "Share Consolidation"). As at 9th September, 2005, the authorised share capital of the Company was HK$122,500,000 comprising 12,250,000,000 shares of HK$0.01 each, of which HK$52,544,000 comprising 5,254,398,668 shares were issued and fully paid. On this basis, immediately after the Share Consolidation, the authorised share capital of the Company comprised 52,543,986 issued Consolidated Shares and 69,956,014 unissued Consolidated Shares of HK$1.00 each; and

(ii) immediately after the Share Consolidation, the authorised share capital of the Company was increased to HK$2,000,000,000 divided into 2,000,000,000 Consolidated Shares of HK1.00 each, in which 1,877,500,000 Consolidated Shares were created.

In addition, the Company made a rights issue of 210,175,944 rights shares at a subscription price of HK$1.00 each in the capital of the Company ("Rights Shares") to the registered holders of the shares whose names appeared on the Company's register at the close of business on 21st September, 2005. The transaction was completed on 20th October, 2005. The net proceeds of approximately HK$206 million will be used as to approximately HK$200 million for investments in the property sector in general, both in Hong Kong and Macau, in order to expand the property portfolio; and as to the balance of approximately HK$6 million as general working capital of the Company. The Rights Shares credited as fully paid rank pari passu in all respects with the then existing issued shares. As a result of the rights issue, the total number of shares in issue was 262,719,930. The new shares rank pari passu with the then existing shares in all respects.

(b) In November 2005, the 2% redeemable convertible notes due 2006 with principal amount of HK$3,220,000 were converted into 2,211,538 ordinary shares of HK$1.00 each of the Company at a conversion price of HK$1.456 per share. The new shares rank pari passu with the then existing shares in all respects.

(c) Pursuant to an announcement dated 9th November, 2005 and an ordinary resolution passed on 20th December, 2005, a share subdivision was approved with effect from 21st December, 2005 in which each of the existing issued and unissued shares of HK$1.00 each in the share capital of the Company would be subdivided into five shares of HK$0.20 each (the "Subdivided Shares") (the "Share Subdivision"). As at 25th November, 2005, the authorised share capital of the Company was HK$2,000,000,000 divided into 2,000,000,000 Consolidated Shares, of which 264,931,468 Consolidated Shares were issued and fully paid. On this basis, immediately after the Share Subdivision, the authorised share capital of the Company comprised of 1,324,657,340 issued Subdivided Shares and 8,675,342,660 unissued Subdivided Shares of HK$0.20 each.

17. POST BALANCE SHEET EVENT

On 3rd April, 2006, a sale and purchase agreement was entered into between the Group and an independent third party to acquire a 5% equity interest of Sociedade de Investimento Imobiliário Pun Keng Van, SARL ("Sociedade"), a Macau Company, for a total consideration of approximately HK$56 million. The principal asset of Sociedade is its 100% ownership in a piece of land located at Avenida Comercial de Macau — Baia de Praia Grande, Zona A "Lote 9". It is proposed that the land site, which is currently vacant, is to be developed into a 57-storey luxurious residential buildings. The transaction was completed in April 2006.

INTERIM DIVIDEND

The Board of Directors has resolved not to declare an interim dividend for the six months ended 31st January, 2006 (six months ended 31st January, 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of the results

The Group reported a turnover of approximately HK$47.7 million for the six months ended 31st January, 2006, representing an increase of 284.7% from approximately HK$12.4 million for the same period last year. The increase in revenue was mainly due to the increase in sales from financial instrument of approximately HK$44.9 million, which was partly offset by the decrease in revenue from property sale.

Net loss for the six months ended 31st January, 2006 amounted to HK$1.5 million, as compared to the net profit of HK$13.7 million for the same period last year. The loss was mainly attributable to the decrease in unrealized holding gain on investment in securities and derivative financial instruments of approximately HK$8.7 million, coupled with an increase in administration expenses of approximately HK$2.3 million.

Liquidity and financial resources

The Group continued to maintain a liquid position. Its cash balance, all in Hong Kong dollars, increased from HK$70.6 million at 31st July, 2005 to HK$183.0 million at 31st January, 2006. Total bank borrowings decreased from HK$8.2 million at 31st July, 2005 to HK$7.3 million at 31st January, 2006, of which HK$0.9 million were repayable within one year, HK$4.1 million within two to five years and HK$2.3 million over 5 years. The Group's gearing ratio, expressed as a percentage of the Group's total liabilities over the shareholders' fund, improved significantly from 14.2% to 5.1%. All bank borrowings were denominated in Hong Kong dollars and on a floating rate basis at Hong Kong best lending rates.

Exchange rate exposure

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

Business review

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

Fuelled by the solid performance of the property markets in Hong Kong and Macau, the Group has gathered its pace in business expansion during the period under review, increasing its presence in the property and hotel sectors through active acquisitions.

On 3rd January, 2006, the Group successfully acquired a 10% equity interest in Tin Fok Holding 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 Ngon district within walking distance from the business and shopping centre.

Based on the statistics published by Macau Tourist Office, there was a total of HK$28.7 million visitors arriving in Macau in year 2005, representing a strong growth of 12% compared to year 2004. In January 2006, with the Chinese New Year holidays, total visitor arrivals reached HK$1.7 million, up 18.5% year-on-year. Hotel Fortuna has been newly renovated to capitalize on such increasing tourism. According to its unaudited accounts, Hotel Fortuna has achieved a turnover in excess of HK$140.0 million in year 2005, more than doubled over year 2004.

On 3rd April, 2006, the Group acquired further a 5% interest in Sociedade de Investimento Imobiliário Pun Keng Van, 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 site for the proposed development of a 57-storey luxurious residential building.

The Group's subsidiary, Century 21 Hong Kong Limited, continued to expand in a steady pace in its businesses of franchising estate agency works, real estate project management and related undertakings, endeavouring to enhance its operational efficiency and profitability. During the period under review, the number of franchisees of "Century 21" has increased from 120 at 31st July, 2005 to 130 currently, with 4 franchisee shops in Macau.

Prospects

In Hong Kong and Macau, the promising economy gives investors cause for optimism in the property and hotel sectors. In particular, the property market in Macau has been buoyant and recorded a strong growth over the past three years.

Year 2006 is the "Macau World Heritage Year", which saw the opening of the Fisherman Wharf in Macau. This new establishment will boast tourism and the hospitality industry further, attracting more visitors and tourists especially from Mainland China.

The active economy and improved standard of living, accompanied by the growing GDP, increasing tourism, influx of workers and professionals, will continue driving demand of hotel facilities, new amenities, and high-end residential properties in Macau.

The investments in Macau acquired by the Group are expected to yield a satisfactory return in the foreseeable future. Focusing in Macau, the Group will continue to look for suitable investment projects. With the successful raising of approximately HK$210.2 million through the rights issue in October 2005, the Group's financial resources have been strengthened and the management is in a better position to grasp sound investment opportunities for realizing the corporate goals.

Contingent liability

At 31st January, 2006, the Company had outstanding guarantees issued in favour of a bank in respect of banking facilities made available to a subsidiary amounting to HK$7,224,000 (31st July, 2005: HK$7,644,000).

At 31st January, 2006, the Group had outstanding commitment in respect of foreign currency futures held for trading purpose with notional amount of 6.25 million Euro (equivalent to HK$58.6 million) (2005: Yen 1,250 million equivalent to HK$86.6 million).

Pledge of assets

At 31st January, 2006, investment properties of the Group amounting to HK$24,250,000 (31st July, 2005: HK$25,000,000) were pledged to a bank to secure credit facilities to the extent of HK$10,000,000 (31st July, 2005: HK$10,000,000) granted to the Group, of which HK$7,224,000 (31st July, 2005: HK$7,644,000) was utilised by the Group.

Employees

The Group offers its employees competitive remuneration packages.

OTHER INFORMATION

Share options

Pursuant to a resolution passed on 30th December 2002, the existing share option scheme was adopted (the "Scheme").

The following table discloses movements in the Scheme of the Company during the period under review:

	Date of Grant	Exercisable period	Exercise price HK$ (Note a)	Outstanding at 1.8.2005 (Note a)	Lapsed During the period (Note a)	Outstanding at 31.1.2006 (Note a)
Category 1: Directors*						
Ng Kai Man, Luke	20.11.2003	20.11.2003 - 29.12.2012	0.0234	20,800,000	(20,800,000)	—
	17.3.2004	17.3.2004 - 29.12.2012	0.0240	6,500,000	(6,500,000)	—
Ma Wai Man, Catherine	17.3.2004	17.3.2004 - 29.12.2012	0.0240	27,300,000	(27,300,000)	—
Chow Hou Man	17.3.2004	17.3.2004 - 29.12.2012	0.0240	27,300,000	(27,300,000)	—
				81,900,000	(81,900,000)	—
Category 2: Employees						
Other employees	20.11.2003	20.11.2003 - 29.12.2012	0.0234	20,800,000	(20,800,000)	—
Other employees	17.3.2004	17.3.2004 - 29.12.2012	0.0240	21,500,000	(21,500,000)	—
				42,300,000	(42,300,000)	—
Total all categories				124,200,000	(124,200,000)	—

* *The directors resigned in May and July 2005.*

Notes:

(a) The number and exercise price of the share options have not been adjusted in the above table to reflect the one hundred-to-one share consolidation effective 29th September, 2005 and the one-to-five share subdivision effective 21st December, 2005.

(b) The share options were exercisable from the date of grant and vested before 1st August, 2005.

No share options were granted or exercised during the period.

Directors' and chief executive's interests and short positions in shares and underlying shares

At 31st January, 2006, the interests of the directors and chief executive and their associates in the shares, and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK$0.02 each of the Company

Name of director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Chu Nin Yiu, Stephen ("Mr. Chu")	Held by controlled corporation (Note)	214,966,000	16.23%

Note: The 214,966,000 shares were held by Supervalue Holdings Limited, which is in turn wholly owned by Mr. Chu. Mr. Chu is therefore deemed to be interested in 214,966,000 shares of the Company.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short position in any shares and underlying shares of the Company or any of its associated corporations as at 31st January, 2006.

Arrangements to purchase shares or debentures

Other than as disclosed in the section "Share Options", at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Substantial shareholders

As at 31st January, 2006, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.02 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Supervalue Holdings Limited (Note 1)	Beneficial owner	214,966,000	16.23%
Mr. Chu Nin Yiu, Stephen (Note 1)	Interest in controlled corporation	214,966,000	16.23%
Mark Profit Development Limited (Note 2)	Beneficial owner	166,430,500	12.56%
Easyknit Properties Holdings Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56%
Easyknit International Holdings Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56%
Magical Profits Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56%
Accumulate More Profits Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56%
Trustcorp Limited (Note 2)	Trustee	166,430,500	12.56%
Newcorp Ltd. (Note 2)	Interest in controlled corporation	166,430,500	12.56%

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Newcorp Holdings Limited (Note 2)	Interest in controlled corporation	166,430,500	12.56%
Lui Yuk Chu (Note 2)	Beneficiary of a trust	166,430,500	12.56%
Koon Wing Yee (Note 2)	Spouse	166,430,500	12.56%
David William Roberts (Note 2)	Interest in controlled corporation	166,430,500	12.56%
David Henry Christopher Hill (Note 2)	Interest in controlled corporation	166,430,500	12.56%
Rebecca Ann Hill (Note 2)	Spouse	166,430,500	12.56%
Finnex Limited (Note 3)	Beneficial owner	117,406,235	8.86%
Impetus Holdings Limited (Note 3)	Interest in controlled corporation	117,406,235	8.86%
Asia Orient Company Limited (Note 3)	Interest in controlled corporation	117,406,235	8.86%
Asia Orient Holdings (BVI) Limited (Note 3)	Interest in controlled corporation	117,406,235	8.86%
Asia Orient Holdings Limited (Note 3)	Interest in controlled corporation	117,406,235	8.86%
Poon Jing (Note 3)	Interest in controlled corporation	117,406,235	8.86%

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, 2006.

Notes:

1. *The 214,966,000 Shares are beneficially owned by Supervalue Holdings Limited, which is in turn wholly-owned by Mr. Chu Nin Yiu, Stephen.*

2. *The 166,430,500 Shares are beneficially owned by Mark Profit Development Limited, a wholly-owned subsidiary of Easyknit Properties Holdings Limited which is in turn wholly-owned by Easyknit International Holdings Limited, the shares of which are listed on the main board of the Stock Exchange and the Singapore Exchange Securities Trading Limited. Easyknit International Holdings Limited is owned as to approximately 36.74% by Magical Profits Limited, a wholly-owned subsidiary of Accumulate More Profits Limited which is in turn wholly-owned by Trustcorp Limited. Trustcorp Limited is the trustee of The Magical 2000 Trust, the beneficiaries of which include Ms. Lui Yuk Chu and her family members other than spouse. Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 166,430,500 Shares under the SFO.*

   The aforesaid trustee, Trustcorp Limited, is 100% owned by Newcorp Ltd. which is in trun wholly-owned by Newcorp Holdings Limited. David Wiliam Roberts and David Henry Christopher Hill are each interested in 35% of Newcorp Holdings Limited, and Rebecca Ann Hill is the spouse of the latter. Accordingly, they are all deemed to be interested in the 166,430,500 Shares under the SFO.

3. *The 117,406,235 Shares are beneficially owned by Finnex Limited, a wholly-owned subsidiary of Impetus Holdings Limited which is in turn wholly-owned by Asia Orient Company Limited. Asia Orient Company Limited is a wholly-owned subsidiary of Asia Orient Holdings (BVI) Limited, which is in turn wholly-owned by Asia Orient Holdings Limited, the shares of which are listed on the main board of the Stock Exchange. As Mr. Poon Jing is interested in approximately 30.09% of Asia Orient Holdings Limited, he is deemed to be interested in the 117,406,235 Shares under the SFO.*

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, 2006.

Corporate governance

The Company complied throughout the six months ended 31st January, 2006 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except for the following deviations:—

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

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

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

   The independent non-executive directors of the Company are not appointed for a specific term as they are subject to rotation at annual general meetings in accordance with Article 94 and 103(A) of the Company's Articles of Association.

Model code for securities transactions

The Company has adopted the Model Code of the Listing Rules as its own codes of conduct regarding directors' and relevant employees' securities transactions. Having made specific enquiry to all directors, all directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the six months ended 31st January, 2006.

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

During the six months ended 31st January, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 25th April, 2006

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