

CSI

Capital Strategic Investment Limited

CAPITAL STRATEGIC INVESTMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 497)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2005

INTERIM RESULTS HIGHLIGHTS

| | Six months ended 30th September | |
|--|---------------------------------|---------------------------------|
| | 2005 (unaudited) HK\$'000 | 2004 (unaudited) HK\$'000 |
| Total turnover | 287,381 | 159,370 |
| Profit of the Group for the period before adoption of new HKFRSs | 70,560 | 42,174 |
| Profit of the Group for the period prepared under the adoption of new HKFRSs | 11,709 | 28,649 |

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies that have an effect on the results for the current period or prior accounting periods are prepared and presented. Details of these are set out below.

RECONCILIATION OF PROFIT FOR THE PERIOD (BEFORE MINORITY INTERESTS)

| | Six months ended 30th September | |
|--|---------------------------------|------------------|
| | 2005 HK\$'000 | 2004 HK\$'000 |
| Profit for the period before adoption of new HKFRSs | 70,560 | 42,174 |
| Adjustments: | | |
| Non-amortisation of goodwill of interest in an associate | 27 | — |
| Gain on disposal of interests in associates | (1,225) | — |
| Gain on disposal of investment properties included in other operating income to be recognized and adjusted in income statement for the year ended 31st March, 2005 (<i>Note</i>) | (62,554) | — |
| Gain on disposal of interests in subsidiaries | — | (13,525) |
| Taxation | 5,228 | — |
| Amortisation of prepaid lease payments included in administration expenses | (327) | — |
| Profit for the period prepared under the adoption of new HKFRSs | <u>11,709</u> | <u>28,649</u> |

Note: The amount of HK\$62,554,000 represents the decrease in release of investment property revaluation reserve to income statement upon disposal of investment properties upon the retrospective application of HKAS 40 “Investment Property” issued by HKICPA. This amount also represents the fair value gain on revaluation of investment property to be recognised in income statement for the year ended 31st March, 2005 upon the retrospective application of HKAS 40 “Investment Property” issued by HKICPA.

RECONCILIATION OF INCOME STATEMENT FOR THE PERIOD (BEFORE MINORITY INTERESTS)

Six months ended 30th September, 2005

| | Amounts prepared before adoption of new HKFRSs HK\$'000 (unaudited) | Effect of the adoption of new HKFRSs HK\$'000 (unaudited) | Amounts prepared under adoption of new HKFRSs HK\$'000 (unaudited) | Six months ended 30th September 2004 HK\$'000 (unaudited and restated) |
|--|--|---|---|--|
| Turnover | 287,381 | | 287,381 | 159,370 |
| Cost of sales | (264,135) | | (264,135) | (138,959) |
| Gross profit | 23,246 | | 23,246 | 20,411 |
| Other operating income | 69,120 | (62,554) | 6,566 | 3,992 |
| Other operating expenses | — | | — | (3,675) |
| Administrative expenses | (14,772) | (327) | (15,099) | (14,268) |
| Other expenses | — | | — | (6,159) |
| Profit from operations | 77,594 | | 14,713 | 301 |
| Finance costs | (7,576) | | (7,576) | (1,134) |
| Gain (loss) on disposal/dilution of interests in an associate | 12,873 | (1,225) | 11,648 | (2,021) |
| Gain on disposal of interests in subsidiaries | — | | — | 33,703 |
| Share of results of associates | 362 | | 362 | (171) |
| Amortisation of goodwill of interest in an associate | (27) | 27 | — | (75) |
| Profit before taxation | 83,226 | | 19,147 | 30,603 |
| Taxation | (12,666) | 5,228 | (7,438) | (1,954) |
| Profit for the period | <u>70,560</u> | | <u>11,709</u> | <u>28,649</u> |

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2005

| | Notes | Amounts prepared under adoption of new HKFRSs | |
|---|-------|--|---|
| | | Six months ended 30th September 2005 HK\$'000 (unaudited) | 2004 HK\$'000 (unaudited and restated) |
| Turnover | | 287,381 | 159,370 |
| Cost of sales | | (264,135) | (138,959) |
| Gross profit | | 23,246 | 20,411 |
| Other operating income | 5 | 6,566 | 3,992 |
| Other operating expenses | | — | (3,675) |
| Administrative expenses | | (15,099) | (14,268) |
| Other expenses | 6 | — | (6,159) |
| Profit from operations | 7 | 14,713 | 301 |
| Finance costs | | (7,576) | (1,134) |
| Gain (loss) on disposal/dilution of interest in an associate | | 11,648 | (2,021) |
| Gain on disposal of interests in subsidiaries | | — | 33,703 |
| Share of results of associates | | 362 | (171) |
| Amortisation of goodwill of interest in an associate | | — | (75) |
| Profit before taxation | | 19,147 | 30,603 |
| Taxation | 8 | (7,438) | (1,954) |
| Profit for the period | | <u>11,709</u> | <u>28,649</u> |
| Attributable to: | | | |
| Equity holders of the parent | | 10,107 | 28,649 |
| Minority interests | | 1,602 | — |
| Profit for the period | | <u>11,709</u> | <u>28,649</u> |
| Earnings per share | 9 | | |
| — Basic | | <u>2.2 cents</u> | <u>7.5 cents</u> |
| — Diluted | | <u>2.0 cents</u> | <u>7.3 cents</u> |

CONDENSED CONSOLIDATED BALANCE SHEET*At 30th September, 2005*

| | 30th September, 2005 HK\$'000 (unaudited) | 31st March, 2005 HK\$'000 (audited and restated) |
|---|--|--|
| Non-Current Assets | | |
| Investment properties | 558,313 | 818,000 |
| Property, plant and equipment | 14,389 | 15,080 |
| Prepaid lease payments | 255,017 | 15,620 |
| Deposit paid for acquisition of subsidiaries | — | 35,000 |
| Club debenture | 6,860 | 6,860 |
| Interests in associates | 3,074 | 30,119 |
| Investments in securities | 1,157 | 9,891 |
| Deposits paid on acquisition of property, plant and equipment | 150 | — |
| Deferred tax asset | 814 | 609 |
| | <hr/> 839,774 <hr/> | <hr/> 931,179 <hr/> |
| Current Assets | | |
| Trade and other receivables | 2,979 | 5,562 |
| Prepaid lease payments | 655 | 380 |
| Deposit held in stakeholders | 1,763 | 4,531 |
| Investments in securities | — | 128,407 |
| Investments in securities held for trading | 106,818 | — |
| Properties held for sale | 189,722 | 227,009 |
| Amount due from an investee | 11,069 | — |
| Taxation recoverable | 628 | 919 |
| Pledged bank deposits | 5,250 | 5,230 |
| Bank balances and cash | 282,101 | 211,199 |
| | <hr/> 600,985 <hr/> | <hr/> 583,237 <hr/> |
| Current Liabilities | | |
| Accruals and other payables | 9,593 | 41,304 |
| Taxation payable | 16,615 | 3,906 |
| Amounts due to minority shareholders | 3,394 | — |
| Bank borrowings-due with one year | 69,255 | 158,610 |
| | <hr/> 98,857 <hr/> | <hr/> 203,820 <hr/> |
| Net Current Assets | <hr/> 502,128 <hr/> | <hr/> 379,417 <hr/> |
| | <hr/> 1,341,902 <hr/> | <hr/> 1,310,596 <hr/> |

Capital and Reserves

| | | |
|---|-------------|-------------|
| Share capital | 19,382 | 15,382 |
| Reserves | 980,717 | 883,775 |
| | <hr/> | <hr/> |
| Equity attributable to equity holders of the parent | 1,000,099 | 899,157 |
| Minority interests | 1,602 | — |
| | <hr/> | <hr/> |
| | 1,001,701 | 899,157 |
| | <hr/> | <hr/> |
| Non-Current Liabilities | | |
| Bank borrowings — due after one year | 323,565 | 376,430 |
| Amount due to minority shareholders | — | 13,016 |
| Deferred tax liability | 16,636 | 21,993 |
| | <hr/> | <hr/> |
| | 340,201 | 411,439 |
| | <hr/> | <hr/> |
| | 1,341,902 | 1,310,596 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with the 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 investment properties and certain financial investments, which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Company and its subsidiaries’ (the “Group”) annual financial statements for the year ended 31st March, 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 (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) 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 income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also 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:

- (i) HKFRS 3 “Business combinations”
- (ii) HKFRS 2 “Share-based Payment”

- (iii) HKAS 32 “Financial Instruments: Disclosure and Presentation”
- (iv) HKAS 39 “Financial Instruments: Recognition and Measurement”
- (v) HKAS 17 “Leases”
- (vi) HKAS 40 “Investment Property”
- (vii) HK (SIC) Interpretation 21 “Income Taxes — Recovery of Revalued Non-Depreciable Assets”

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

The effects of the changes in accounting policies described above on the results are as follows:

(i) On results

| | Six months ended | |
|---|-------------------------|-----------------|
| | 30th September, | |
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Decrease in release of negative goodwill included in interests in associates to the income statement upon disposal of interests in associates | (1,225) | — |
| Decrease in release of investment property revaluation reserve to income statement upon disposal of investment properties/subsidiaries | (62,554) | (13,525) |
| Release of deferred tax liability related to investment property disposed of during the period | 5,228 | — |
| Non-amortisation of goodwill | 27 | — |
| Amortisation of prepaid lease payments | (327) | — |
| | <u>(58,851)</u> | <u>(13,525)</u> |

(ii) On income statement line items

| | Six months ended | |
|--|-------------------------|-----------------|
| | 30th September, | |
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Non-amortisation of goodwill of interest in an associate | 27 | — |
| Gain on disposal of interests in associates | (1,225) | — |
| Gain on disposal of investment properties included in other operating income | (62,554) | — |
| Gain on disposal of interests in subsidiaries | — | (13,525) |
| Taxation | 5,228 | — |
| Amortisation of prepaid lease payments included in administrative expenses | (327) | — |
| | <u>(58,851)</u> | <u>(13,525)</u> |

(iii) On balance sheet items

(a) The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

| | As at 31st March, 2005 | | | Adjustment | As at 31st March, 2005 | | | As at 1st April, 2005 |
|---|------------------------------|-----------------------|-------------------------|-----------------------|------------------------------|-------------------------|-------------------------|-----------------------------|
| | (originally stated) | Adjustment HKAS 40 | Adjustment — HKAS 17 | — HK(SIC) — Int 21 | (as restated) | Adjustment — HKAS 39 | Adjustment — HKFRS 3 | (restated) |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Properties held for development | | | | | | | | |
| — non-current | 16,000 | — | (16,000) | — | — | — | — | — |
| Prepaid lease payment | | | | | | | | |
| — non-current | — | — | 15,620 | — | 15,620 | — | — | 15,620 |
| Prepaid lease payment — current | — | — | 380 | — | 380 | — | — | 380 |
| Investment in securities | | | | | | | | |
| — current | 128,407 | — | — | — | 128,407 | (128,407) | — | — |
| Investments in securities held | | | | | | | | |
| for trading — current | — | — | — | — | — | 128,407 | — | 128,407 |
| Interests in associates | | | | | | | | |
| — negative goodwill | (1,225) | — | — | — | (1,225) | — | 1,225 | — |
| Deferred tax liability | (2,360) | — | — | (19,633) | (21,993) | — | — | (21,993) |
| | <u>140,822</u> | <u>—</u> | <u>—</u> | <u>(19,633)</u> | <u>121,189</u> | <u>—</u> | <u>1,225</u> | <u>122,414</u> |
| Total effects on assets and liabilities | | | | | | | | |
| Investment property | | | | | | | | |
| revaluation reserve | (347,532) | 347,532 | — | — | — | — | — | — |
| Retained profits | (255,903) | (347,532) | — | 19,633 | (583,802) | — | (1,225) | (585,027) |
| | <u>(603,435)</u> | <u>—</u> | <u>—</u> | <u>19,633</u> | <u>(583,802)</u> | <u>—</u> | <u>(1,225)</u> | <u>(585,027)</u> |
| Total effects on equity | | | | | | | | |

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

| | As originally stated | Adjustment- HKAS 40 & HK (SIC)- Int 21 | As restated |
|---|-------------------------|---|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Retained earnings | 184,131 | 204,323 | 388,454 |
| Investment property revaluation reserve | 214,503 | (214,503) | — |
| | <u>398,634</u> | <u>(10,180)</u> | <u>388,454</u> |
| Total effects on equity | | | |

4. SEGMENTAL INFORMATION

By business segments

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

| | Property investment <i>HK\$'000</i> | Securities investment <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|---|--|
| For the six months ended 30th September, 2005 | | | |
| TURNOVER | | | |
| External Sales | <u>179,140</u> | <u>108,241</u> | <u>287,381</u> |
| RESULT | | | |
| Segment result | <u>8,812</u> | <u>3,696</u> | 12,508 |
| Unallocated corporate expenses | | | (2,931) |
| Interest income | | | 4,898 |
| Dividend income | | | <u>238</u> |
| Profit from operations | | | 14,713 |
| Finance costs | | | (7,576) |
| Gain on disposal/dilution of interests in an associate | | | 11,648 |
| Share of results of associates | | | <u>362</u> |
| Profit before taxation | | | 19,147 |
| Taxation | | | <u>(7,438)</u> |
| Profit for the period | | | <u><u>11,709</u></u> |

| | Property investment <i>HK\$'000</i> | Securities investment <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|---|--|
| For the six months ended 30th September, 2004 | | | |
| TURNOVER | | | |
| External Sales | <u>119,011</u> | <u>40,359</u> | <u>159,370</u> |
| RESULT | | | |
| Segment result | <u>19,157</u> | <u>(17,156)</u> | 2,001 |
| Unallocated corporate expenses | | | (4,189) |
| Interest income | | | 2,129 |
| Dividend income | | | <u>360</u> |
| Profit from operations | | | 301 |
| Finance cost | | | (1,134) |
| Gain (loss) on disposal/dilution of interest in an associate | | | (2,021) |
| Gain on disposal of interests in subsidiaries | | | 33,703 |
| Share of results of associates | | | (171) |
| Amortisation of goodwill of interests in an associate | | | <u>(75)</u> |
| Profit before taxation | | | 30,603 |
| Taxation | | | <u>(1,954)</u> |
| Profit for the period | | | <u>28,649</u> |

Geographical segment

Over 90% of the Group's turnover and profit from operations were derived from Hong Kong, and no geographical segments are presented.

5. OTHER OPERATING INCOME

| | Six months ended 30th September, | |
|---|---|-----------------|
| | 2005 | 2004 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Dividend income from listed investments | 238 | 360 |
| Interest income | 4,898 | 2,129 |
| Gain on disposal of property, plant and equipment | 440 | 1,417 |
| Gain on disposal of investment in securities | 841 | — |
| Others | <u>149</u> | <u>86</u> |
| | <u>6,566</u> | <u>3,992</u> |

6. OTHER EXPENSES

| | Six months ended 30th September, | |
|---|---|-----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Fair value changes on investments in securities | <u>—</u> | <u>6,159</u> |
| | <u>—</u> | <u>6,159</u> |

7. PROFIT FROM OPERATIONS

| | Six months ended 30th September, | |
|---|---|-----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| Profit from operations has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 1,620 | 790 |
| Amortisation of prepaid lease payments | 327 | — |
| Allowance on properties held for sale included in cost of sales | <u>10,000</u> | <u>—</u> |

8. TAXATION

| | Six months ended 30th September, | |
|--|---|-----------------|
| | 2005 | 2004 |
| | HK\$'000 | HK\$'000 |
| The charge comprises: | | |
| Hong Kong Profits Tax | 13,000 | 2,300 |
| Deferred tax | <u>(5,562)</u> | <u>(346)</u> |
| Attributable to the Company and its subsidiaries | <u>7,438</u> | <u>(1,954)</u> |

Hong Kong Profits Tax was provided for at the rate of 17.5% on the estimated assessable profit of the subsidiaries of the Group for both periods.

9. EARNINGS PER SHARE

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

| | Six months ended 30th September, | |
|--|---|--------------------|
| | 2005 | 2004 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Earnings for the purpose of calculating basic and diluted earnings per share: | | |
| Profit for the period attributable to equity holders of the parent | <u>10,107</u> | <u>28,649</u> |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | <u>463,775,000</u> | 383,448,000 |
| Effect of dilutive potential ordinary shares: Share options | <u>32,414,000</u> | <u>7,160,000</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u>496,189,000</u> | <u>390,608,000</u> |

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2005. (2004: Nil)

REVIEW OF THE RESULTS

The Group reported a turnover of approximately HK\$287.4 million for the six months ended 30th September, 2005, representing an increase of 80.3% from approximately HK\$159.4 million for the corresponding period in the last year. Such increase in revenue was mainly contributed by securities trading of approximately HK\$67.8 million and property investments of approximately HK\$60.1 million.

The Group recorded a profit of approximately HK\$70.6 million for the six months ended 30th September, 2005 before the adoption of new HKFRSs, compared to a profit of approximately HK\$42.2 million in last period. As a result of the adoption of new HKFRSs, the profit of the Group for the six months ended 30th September, 2005 and 2004 have been adjusted to approximately HK\$11.7 million and HK\$28.6 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquid position which included highly liquid investment in securities of approximately HK\$106.8 million and cash of approximately HK\$282.1 million. The Group generally financed its operations through its internal resources and bank facilities provided by its principal bankers.

The Group's short-term bank borrowing has been decreased from approximately HK\$158.6 million as at 31st March, 2005 to approximately HK\$69.3 million as at 30th September, 2005, and long-term bank borrowing has been decreased from approximately HK\$376.4 million as at 31st March, 2005 to approximately HK\$323.5 million as at 30th September, 2005. All the bank borrowings were utilized in financing the Group's investment properties in generating recurring rental income. As a result, the Group's total bank borrowings has been decreased from approximately HK\$535 million as at 31st March, 2005 to approximately

HK\$392.8 million as at 30th September, 2005, and the total debt-to-total assets ratio was decreased to 30.5% (At 31st March, 2005: 40.6%). All bank borrowings were denominated in HK dollars and were on a floating rate basis at either bank prime rate lending rates or short-term inter-bank offer rates. The maturity profile spread over a period of 10 years with approximately HK\$69.3 million repayable within one year, HK\$178.2 million repayable between one to five years, and HK\$145.3 million over five years.

The majority of the Group's assets and liabilities were denominated in Hong Kong dollars and US dollars. As such, the fluctuation of foreign currencies did not have a significant impact on the performance, result and operation of the Group.

BUSINESS REVIEW

We are pleased to report that the results for the six months ended 30th September, 2005 have continued to demonstrate our ability to deliver on our strategy of creating value and growth for our shareholders. Building on our management's strengths in making and timely unlocking gains from strategic investments, we have achieved an increase in a profit of the Group of approximately 67.3% compared to the same period last year, being an increase from approximately HK\$42.1 million to HK\$70.6 million when applying the same accounting policies and standards in the last year.

During this period, we have continued to benefit from the strongly improving local economy and market sentiment, and amongst other successful dealings, we have completed our disposal of Fullcorp Centre, Tsimshatsui, Hong Kong, and our entire investment in Capital Estate Limited (HKSE Code: 193), as well as various other strategic investments in securities and financial instruments, in each case so as to timely unlock the resulting capital gains and to better concentrate our internal resources for future growth.

We have also been actively seeking out and evaluating numerous potential prime real estate and other strategic investment opportunities, both locally and in the PRC, as well as throughout other parts of the South-East Asia region. In capturing opportunities under the continuing surges in local property prices, we have also completed several strategic property acquisitions, including prime commercial and retail units, and a sizeable development site in Yiu Wa Street in the commercial hub of Causeway Bay, Hong Kong.

Following the completion of subscription of shares in the Company in May 2005 by some of the most renowned deal-makers in the region, namely Mr. Richard Li Tzar Kai, Mr. Francis Yuen Tin Fan (the Chairman and Deputy Chairman (amongst other offices) of PCCW Limited respectively) and ITC Corporation Limited, our investment and asset management skills, as well as our solid track record, have recently received further recognition from the world-class investment bank, Lehman Brothers, who entered into partnership with ourselves and Paul Y. Engineering Group Limited in the joint acquisition of Paul Y. Centre in Kwun Tong, Kowloon, for HK\$780 million, one of the first recent property acquisition by Lehman Brothers in Hong Kong. We are also proud to have been entrusted by our partners with the task of managing this joint venture.

We have achieved considerable progress in laying yet more solid foundation for future growth. We are optimistic that, with the recognitions and backings from our internationally renowned strategic shareholders and partners, future ventures with other world-class leading institutions in larger scale strategic investments, where competition is less fierce and potential returns more lucrative, will follow in due course. As such, and against the backbone of steady growth in the regional economy, our prospects for the rest of the year are encouraging, and we will continue to use our strengths in creating further value and higher growth for our shareholders.

EMPLOYEE

The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. In addition to salaries, discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. Share options may be granted as a recognition of their contribution and an incentive to motivate them.

PLEDGE OF ASSETS

At as 30th September, 2005, the following assets were pledged to secure banking facilities granted to the Group:

- (a) Investment properties with a carrying value of approximately HK\$522,000,000 (31.3.2005: HK\$818,000,000).
- (b) Prepaid lease payment with a carrying value of approximately HK\$240,000,000 (31.3.2005: HK\$Nil).
- (c) Property held for sales with carrying value of approximately HK\$189,722,000 (31.3.2005: HK\$227,009,000).
- (d) Bank deposit of approximately HK\$5,250,000 (31.3.2005: HK\$5,230,000).

The Group also executed the assignment of rental income over the investment properties and properties held for sales to banks to secure the banking facilities granted to the Group.

CONTINGENT LIABILITIES

| | 30th September, 2005 HK\$'000 | 31st March 2005 HK\$'000 |
|---|--|--------------------------------|
| Corporate guarantee given by the Company for banking facilities granted to an associate | <u>1,500</u> | <u>1,500</u> |

CAPITAL COMMITMENTS

| | 30th September, 2005 HK\$'000 | 31st March 2005 HK\$'000 |
|--|--|--------------------------------|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements | 1,348 | — |
| Capital expenditure in respect of acquisition of subsidiary contracted for but not provided in the financial statements | <u>—</u> | <u>205,000</u> |
| | <u>1,348</u> | <u>205,000</u> |

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 30th September, 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules during the six months ended 30th September, 2005, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms as they are subject to retirement by rotation and re-election at the annual general meeting in accordance with Bye-law 99(A), 102(B) and 182 of the Company’s Bye-laws.

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

There was no purchase, sale or redemption of shares of the Company by the Company or its subsidiaries during the six months ended 30th September, 2005.

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 of Hong Kong Limited in due course.

By order of the Board
Chung Cho Yee, Mico
Non-Executive Chairman

Hong Kong, 20th December, 2005

As at the date of this announcement, Mr. Chung Cho Yee, Mico is the non-executive chairman, Ms. Ma Wai Man, Catherine and Mr. Chow Hou Man are the executive directors, Dato’ Wong Sin Just, Dr. Lam Lee G. and Mr. Cheng Yuk Wo are the independent non-executive directors.

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