



Teem Foundation Group Ltd.
浩基集團有限公司*

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2003

The board of directors (the "Board") of Teem Foundation Group Ltd. (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003 together with the comparative figures. The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30th September	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	3	8,188	37,305
Cost of sales		(7,778)	(28,580)
Gross profit		410	8,725
Other revenue	4	29	37
Administrative expenses		(6,749)	(3,956)
Other operating expenses		—	(1,863)
Amortisation of goodwill		(292)	—
Profit/(loss) from operating activities	5	(6,602)	2,943
Finance costs	6	(152)	(1)
Share of result of an associate		613	—
Profit/(loss) before taxation		(6,141)	2,942
Taxation credit/ (charge)	7	167	(519)
Net profit/(loss) from ordinary activities attributable to shareholders		(5,974)	2,423
Dividend	9	—	13,440
Earnings/(loss) per share	8		
Basic		(0.89 cents)	0.36 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		13,449	14,828
Goodwill		12,072	—
Investment in an associate		11,527	—
Long term investment		2,371	2,371
Deferred tax assets		167	—
		39,586	17,199
CURRENT ASSETS			
Accounts receivable	10	16,771	22,060
Prepayments, deposits and other receivables		30,493	28,974
Amount due from related companies		973	—
Amount due from a director		714	—
Tax recoverable		1,387	1,387
Cash and bank balances		2,514	28,797
		52,852	81,218
CURRENT LIABILITIES			
Accounts payable	11	2,097	2,464
Other payables and accruals		3,437	2,277
Current portion of hire purchase contract payables	12	1,674	1,724
		7,208	6,465
NET CURRENT ASSETS			
		45,644	74,753
TOTAL ASSETS LESS CURRENT LIABILITIES			
		85,230	91,952
NON-CURRENT LIABILITIES			
Hire purchase contract payables	12	4,580	5,328
		80,650	86,624
CAPITAL AND RESERVES			
Issued capital	13	67,200	67,200
Reserves		13,450	19,424
		80,650	86,624

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited)	Contributed surplus (Unaudited)	Share premium account (Unaudited)	Retained profits/ (accumulated losses) (Unaudited)	Total (Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2003	67,200	20,607	–	(1,183)	86,624
Net loss for the period	–	–	–	(5,974)	(5,974)
At 30th September 2003	<u>67,200</u>	<u>20,607*</u>	<u>–</u>	<u>(7,157)*</u>	<u>80,650</u>
At 1st April 2002	200	–	–	58,386	58,586
Arising from acquisition of subsidiaries	–	61,601	–	(56,601)	5,000
Issue of shares	16,800	–	33,600	–	50,400
Capitalisation of shares	50,200	(27,554)	(22,646)	–	–
Share issue expenses	–	–	(10,954)	–	(10,954)
Net profit for the period	–	–	–	2,423	2,423
Interim 2002 dividend	–	(13,440)	–	–	(13,440)
At 30th September 2002	<u>67,200</u>	<u>20,607</u>	<u>–</u>	<u>4,208</u>	<u>92,015</u>

* These reserve accounts comprise the consolidated reserves of HK\$13,450,000 in the consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

**For the six months
ended 30th September**

	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(1,971)	(2,218)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	(23,514)	19
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(798)	44,433
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(26,283)	42,234
Cash and cash equivalents at the beginning of period	28,797	26,728
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,514</u>	<u>68,962</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>2,514</u>	<u>68,962</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 14th March 2002 under the Companies Act 1981 of Bermuda. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company became holding company of the Group on 5th July 2002.

The comparative condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No.27 "Accounting for group reconstructions" issued by the Hong Kong Society of Accountants ("HKSA"). On this basis, the Company has been treated as the holding company of its subsidiaries through Group Reorganisation for the six months ended 30th September 2002 rather than from the date of their acquisitions. Accordingly the condensed consolidated results and cash flows of the Group for the six months ended 30th September 2002 include results and cash flows of the Company and subsidiaries with effect from 1st April 2002, or since their respective dates of incorporation, where this is a shorter period, as if the existing Group structure had been in existence throughout the six months ended 30th September 2002.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with SSAP No. 25 "Interim financial reporting" issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed interim financial statements have been prepared under the historical cost convention. The accounting policies adopted by the Group in this interim report are consistent with those in the annual financial statements for the year ended 31st March 2003, except as described below:

Additional accounting policies resulted from the acquisition of a subsidiary and an associate during the period

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's interest in associates.

Adoption of revised SSAP

In the current period, the Company has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect to timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, where by deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of the SSAP 12 (Revised) has had no material effect on the Group's net assets and results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in two main business segments:

Construction: provision and installation of fire-rated timber door sets as well as provision of interior decoration and renovation services, other carpentry works

Timber: trading of timber

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segmentation analysis is presented as shown below.

	For the six months ended 30th September 2003		
	Construction (Unaudited) HK\$'000	Trading of Timber (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover	<u>5,005</u>	<u>3,183</u>	<u>8,188</u>
Segment results	<u>(6,916)</u>	<u>285</u>	<u>(6,631)</u>
Unallocated other operating income			<u>29</u>
Loss from operating activities			<u>(6,602)</u>
Finance costs			<u>(152)</u>
Share of result of an associate			<u>613</u>
Loss before taxation			<u>(6,141)</u>
Taxation credit			<u>167</u>
Net loss from ordinary activities attributable to shareholders			<u>(5,974)</u>

	For the six months ended 30th September 2002		
	Construction (Unaudited) HK\$'000	Trading of Timber (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Turnover	<u>37,305</u>	<u>—</u>	<u>37,305</u>
Segment results	<u>2,906</u>	<u>—</u>	<u>2,906</u>
Unallocated other operating income			<u>37</u>
Profit from operating activities			<u>2,943</u>
Finance costs			<u>(1)</u>
Profit before taxation			<u>2,942</u>
Taxation charge			<u>(519)</u>
Net profit from ordinary activities attributable to shareholders			<u>2,423</u>

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical segmentation analysis is presented as shown below.

	Turnover		Segment results	
	For the six months ended 30.9.2003 (Unaudited) HK\$'000	30.9.2002 (Unaudited) HK\$'000	For the six months ended 30.9.2003 (Unaudited) HK\$'000	30.9.2002 (Unaudited) HK\$'000
Hong Kong	5,005	37,305	(6,916)	2,906
The People's Republic of China excluding Hong Kong	3,183	—	285	—
	<u>8,188</u>	<u>37,305</u>	<u>(6,631)</u>	<u>2,906</u>
Unallocated other operating income			<u>29</u>	<u>37</u>
Profit/(loss) from operating activities			<u>(6,602)</u>	<u>2,943</u>

4. OTHER REVENUE

	For the six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest income	—	25
Others	<u>29</u>	<u>12</u>
	<u>29</u>	<u>37</u>

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	For the six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation		
Owned fixed assets	510	31
Leased fixed assets	883	—
	<u> </u>	<u> </u>

6. FINANCE COSTS

	For the six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on hire purchase contracts	152	1
	<u> </u>	<u> </u>

7. TAXATION CREDIT/(CHARGE)

	For the six months ended 30th September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current taxation — Company and subsidiaries	—	(519)
Deferred taxation — Company and subsidiaries	167	—
	<u> </u>	<u> </u>
	<u>167</u>	<u>(519)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong.

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the six months period ended 30th September 2003 of approximately HK\$5,974,000 (2002: net profit of HK\$2,423,000), and the weighted average of 672,000,000 (2002: 672,000,000) ordinary shares in issue during the period.

Diluted earnings or loss per share amounts for the six months ended 30th September 2002 and 2003 have not been disclosed as there were no dilutive potential ordinary shares outstanding during these periods.

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September 2003 (2002: HK\$13,440,000).

10. ACCOUNTS RECEIVABLE

An aged analysis of accounts receivable is as follows:

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Current — 90 days	5,702	5,043
91 days — 180 days	—	—
181 days — 365 days	4,696	9,148
Over 365 days	4,067	3,067
	14,465	17,258
Retention monies receivable	2,306	4,802
	16,771	22,060

Interim applications for progress payments for contract works are normally made on a monthly basis. The credit period is generally for a period of two months extending up to six months for its major customers. For retention monies receivable in respect of contract works, the due dates are usually six months to one year after the issue of the statements of the final accounts of the contract works.

11. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Current — 90 days	2	782
91 days — 180 days	1	259
181 days — 365 days	520	66
Over 365 days	363	59
	886	1,166
Retention monies payable	1,211	1,298
	2,097	2,464

12. HIRE PURCHASE CONTRACT PAYABLES

At 30th September 2003, the total future minimum lease payments under hire purchase contracts and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Amounts payable:				
Within one year	2,022	2,022	1,674	1,724
In the second year	2,011	2,021	1,773	1,782
In the third to fifth years, inclusive	2,890	3,830	2,807	3,546
Total minimum lease payments	6,923	7,873	6,254	7,052
Future finance charge	(669)	(821)		
Total net hire purchase contract payables	6,254	7,052		
Portion classified as current liabilities	(1,674)	(1,724)		
Long term portion of hire purchase contract payables	4,580	5,328		

13. SHARE CAPITAL

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
672,000,000 ordinary shares of HK\$0.1 each	<u>67,200</u>	<u>67,200</u>

14. ACQUISITION OF A SUBSIDIARY

On 26th August 2003 the Group acquired 100% of the share capital of Epping Trading Limited for a cash consideration of HK\$12,500,000.

The effect of the acquisition is summarised as follows:

	HK\$'000 (Unaudited)
Net assets acquired	223
Goodwill arising on acquisition	<u>12,277</u>
Cash consideration	<u><u>12,500</u></u>

Epping Trading Limited contributed HK\$3,183,000 to the Group's turnover and HK\$285,000 to the Group's profit from operation during the interim period.

15. ACQUISITION OF AN ASSOCIATE

On 16th August 2003 the Group acquired 49% of the share capital of Hong Kong Yau Hing Electrical Steel & Cores Limited ("Yau Hing") for a cash consideration of HK\$11,000,000.

Yau Hing contributed the share of profit of HK\$613,000 to the Group during the interim period.

16. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30th September 2003, the Group had no significant commitments and contingent liabilities.

17. OPERATING LEASE ARRANGEMENTS

The Group leases its office properties under operating lease arrangement. Leases for properties are negotiated for terms of three years.

At 30th September 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30th September 2003 (Unaudited) HK\$'000	As at 31st March 2003 (Audited) HK\$'000
Within one year	825	825
In the second to fifth years, inclusive	945	1,357
	<u>1,770</u>	<u>2,182</u>

18. RELATED PARTY TRANSACTIONS

During the six months ended 30th September 2003, the Group had material transactions with the following parties:

		For the six months ended 30th September 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Purchase of materials from Lahine Engineering Limited	(i)	<u>—</u>	<u>198</u>
Handling fee paid to Lahine Engineering Limited for purchasing raw materials	(ii)	<u>—</u>	<u>100</u>

Notes:

- (i) The purchase cost was determined based on the resale price to third parties less an appropriate percentage of profit margin.
- (ii) The terms of the transactions were determined in accordance with relevant agreements entered into between the Group and Lahine Engineering Limited ("LEL"). The handling fees were charged by LEL at a fixed amount of HK\$20,000 per month.

Mr. Chu, the director of the Company, was the director of LEL and resigned as a director of LEL on 6th March 2002.

The directors of the Company consider that the above transactions were carried out in the ordinary course of business.

19. APPROVAL OF INTERIM REPORT

These interim financial statements were approved and authorised for issue by the Board on 9th December 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30th September 2003, the turnover of the Group was approximately HK\$8.2 million representing a drop of 78% compared to the corresponding period last year.

The loss attributable to shareholders of the Group for the six months ended 30th September 2003 was HK\$6.0 million comparing to corresponding period last year profit of HK\$2.4 million. Such decrease was mainly attributable to the decrease in turnover and the squeezing in profit margin.

BUSINESS REVIEW

During the period under review, the Group has submitted a number of bids for projects for installation of timber door sets and interior decoration. However, due to the Government's policy on slowing down the public housing construction and reducing the budgeted expenditure on infrastructure projects, and the cut throat price competition, the Group has only successfully got a contract of amount approximately HK\$19M but at a low profit margin. In view of the current government's housing policy, the Group would adopt a prudent view in this business line.

Owing to the difficulties in Hong Kong market, the Group tried to capture construction market in the People's Republic of China (the "PRC") through an investment in a joint venture located in Shanghai. However, the result is not satisfactory. The Group will try another way to participate in the PRC market.

The Group, in view of the competitive and difficulties in the construction business, has taken remedial actions in order to reduce the impact of the restriction in new buildings to be constructed. During the period under review, the Group acquiring a 49% interest in a stainless steel trading company for a cash consideration of HK\$11 million and 100% in a timber trading company for manufacturing of plywood and/or furniture for a cash consideration of HK\$12.5 million. Business result is quite promising and a positive contribution to the bottom line is reaped.

FUTURE PROSPECT

The management believes that the competition in Hong Kong would remain intense and the market potential would not be promising. The PRC market and related product's market which have not been much touched would become a breakthrough for the Group. As such, the Group would implement the following strategies:

- (a) more emphasis would be placed in the PRC market which is growing at a much faster pace;

- (b) continue looking for the potential projects that can effect additional integration, either horizontal or vertical one, to take advantage of the connection established while at the same time, can avoid the price war — a de facto “niche” market and in effecting the synergy effect; and
- (c) continue “slimming” exercise in effecting further cost control, quality enhancement and efficiency. Only justified staff would be retained or recruited.

The management believes that through this strategies, the Group can re-establish its revenue and profit power and rewarding the shareholders in return.

LIQUIDITY AND FINANCIAL RESOURCES

Due to the acquisition of the two companies during the interim period, the cash position of the company reduced to HK\$2.5 million. The Group, meanwhile, is comfortable on the same in view of

- (a) the cash on hand is sufficient for the running of the Group;
- (b) the cash flow generated from these two investments; and
- (c) the inflow due to the payment of the receivable.

As at 30th September 2003, the shareholder equity was approximately HK\$80.7 million (31st March 2003: HK\$86.6 million) and the outstanding hire purchase contract payables were of approximately HK\$6.3million (31st March 2003: HK\$7.1 million), and accordingly the gearing ratio, calculated on the basis of total debts divided by total equity, was decreased from 8.2% to 7.8%.

As at 30th September 2003, the Group had a net current assets of approximately HK\$45.6 million. The Board is therefore in the opinion that the Group has sufficient resources and working capital to meet its future development.

As the majority of the inflow and the outlay are both denominated in Hong Kong Dollars and the United States Dollars which are pegged together, the Group has not adopted any hedging policy.

As at 30th September 2003, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 30 employees as at 30th September 2003. During the period, total staff costs amounted to approximately HK\$1.4 million. Following the streamlining policy, the actual need and in view of the change in relative emphasis, the number of staff is expected to be further reduced. Employees are remunerated based on their performance and the prevailing industry practice, with remuneration policies and packages being reviewed on a regular basis. Other staff benefits provided by the Group include mandatory provident fund, medical insurance schemes and life insurance schemes.

INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30th September 2003 (2002: HK2 cents per ordinary share).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30th September 2003, the following directors of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Future Ordinance ("SFO") which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

Long positions in ordinary shares of the Company

Name of directors	Number of ordinary shares held and of nature interest		Capacity	Percentage
	Corporate	Personal		
Mr. Chu Chi Ming	—	342,720,000	Beneficial owner	51.00%
Mr. Tang Hin Keung, Alfred (Note)	161,280,000	—	Beneficial owner	24.00%
Mr. Pun Yuen Sang (Note)	161,280,000	—	Beneficial owner	24.00%

Note: Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang are interested in these shares through Pan-Star Nominees Limited, a company which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang respectively.

The interests of the directors in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

Save as disclosed above, as at 30th September 2003, none of the directors of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning Part XV of the SFO).

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally approved by a written resolution of all shareholders of the Company dated 6th July 2002. No share option have been granted under the Scheme up to the date of approval of the Interim Report.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2003, so far as known to any director of the Company, the following persons/companies, other than the directors of the Company whose interests are disclosed above, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company:

Long positions in ordinary shares of the Company

Name of shareholders	Capacity	Nature	Number of ordinary shares	Percentage
Pan-Star Nominees Limited (Note 1)	Beneficial owner	Corporate interests	161,280,000	24.00%
Mr Wei Ming (Note 1)	Beneficial owner	Corporate interests	161,280,000	24.00%
Orient Hope Limited (Note 2)	Beneficial owner	Corporate interests	60,000,000	8.93%
Mr Chang Wa Shan (Note 2)	Beneficial owner	Corporate interests	60,000,000	8.93%

Note 1: Mr. Wei Ming is interested in these shares through Pan-Star Nominees Limited, a company which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang respectively.

Note 2: Mr. Chang Wa Shan is interested in these shares through Orient Hope Limited, a company which is 100% beneficially owned by Mr. Chang Wa Shan.

Save as disclosed above, the Company has not been notified of any other persons holding any interests or short positions in the shares, underlying shares and debentures of the Company which were required to be disclosed pursuant to the SFO as at 30th September 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September 2003.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September 2003, except that the non-executive directors of the Company were not appointed for specific terms as recommended under Appendix 14 of the Listing Rules, but are subject to retirement by rotation in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee is for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. These interim financial statements have been reviewed by the audit committee. The audit committee comprises two independent non-executive directors of the Company.

By order of the Board

Pun Yuen Sang

Director

Hong Kong, 9th December 2003