

New Times Group

New Times Group Holdings Limited

新時代集團控股有限公司

(Incorporated in Bermuda with limited liability)

Interim Report **2004**

The board of directors (the "Board") of New Times Group Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the six months ended 30 September 2004

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 September 2004 \$'000	Six months ended 30 September 2003 \$'000
Turnover	3		
Continuing operations		2,597	-
Discontinued/discontinuing operations	7	48	18,845
		2,645	18,845
Cost of sales		-	(16,398)
Gross profit		2,645	2,447
Other revenue and gain		636	8,447
Selling and distribution expenses		-	(551)
Administrative expenses		(7,430)	(15,496)
Other operating expenses		(11,982)	(22,737)
Gain on disposal of subsidiaries		-	213
Loss from operating activities		(16,131)	(27,677)
Finance costs		(238)	(70)
		(16,369)	(27,747)
Loss before taxation	4		
Continuing operations		(16,125)	(23,529)
Discontinued/discontinuing operations		(244)	(4,218)
		(16,369)	(27,747)
Taxation	5	(197)	-
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(16,566)	(27,747)
Loss per share			
- Basic	8	(3.8 cents)	(6.8 cents)
- Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET*(Expressed in Hong Kong dollars)*

	Notes	30 September 2004 (Unaudited) \$'000	31 March 2004 (Audited) \$'000
NON-CURRENT ASSETS			
Fixed assets		4,941	1,130
Property investments		116,691	79,939
Goodwill	9	17,532	-
Deposit for acquisition of an interest in properties		-	15,000
		139,164	96,069
CURRENT ASSETS			
Prepayments, other deposits and receivables		932	1,374
Trade receivables	10	1,434	2,115
Loan receivables	11	5,400	40,000
Note receivables		-	1,500
Short term investments		4,925	20,512
Tax receivable		494	494
Cash and bank balances		3,784	6,353
		16,969	72,348
CURRENT LIABILITIES			
Other payables deposits and accrued liabilities		15,017	10,977
Provisions		409	302
Finance lease payables		141	133
Tax payable		1,384	1,187
		16,951	12,599
NET CURRENT ASSETS		18	59,749
TOTAL ASSETS LESS CURRENT LIABILITIES		139,182	155,818
NON CURRENT LIABILITY			
Finance lease payables		348	418
Deferred tax liability		1,286	1,286
		1,634	1,704
		137,548	154,114
CAPITAL AND RESERVES			
Share capital	12	43,330	43,330
Reserves		94,218	110,784
		137,548	154,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY – UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 September 2004 \$'000	Six months ended 30 September 2003 \$'000
Total shareholders' fund at 1 April as previously reported	154,114	145,171
Issue of shares (Note 12)	-	42,461
Write-back of exchange fluctuation reserve upon disposal of subsidiaries	-	820
Loss for the period	(16,566)	(27,747)
Total shareholders' fund at 30 September	<u>137,548</u>	<u>160,705</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED

(Expressed in Hong Kong dollars)

	Six months ended 30 September 2004 \$'000	Six months ended 30 September 2003 \$'000
Net cash inflow from operating activities		
Continuing operations	52,337	20,001
Discontinued/discontinuing operations	(104)	(8,156)
	52,233	11,845
Net cash outflow from investing activities		
Continuing operations	(54,741)	(40,172)
Discontinued/discontinuing operations	-	8
	(54,741)	(40,164)
Net cash inflow/(outflow) from financing activities		
Continuing operations	(61)	42,394
Increase/(Decrease) in cash and cash equivalents	(2,569)	14,075
Cash and cash equivalents at beginning of period	6,353	49,742
Cash and cash equivalents at end of period, represented by bank balances and cash	3,784	63,817
Analysis of balances of cash and cash equivalents		
Cash and time deposits	3,784	63,817

NOTES

(Expressed in Hong Kong dollars)

1. BASIS OF PRESENTATION AND PREPARATION

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the audited financial statements for the year ended 31 March 2004.

Certain comparative information have been reclassified to conform to the current period's presentation.

2. LITIGATION

On 8 March 2001, Kistefos Investment A.S. ("Kistefos"), a shareholder of the Company which owned approximately 14.4% of the issued share capital of the Company at the balance sheet date, filed a petition (the "Petition") against the Company and a former director of the Company, in the Supreme Court of Bermuda (the "Court") under Section 111(1) of the Bermuda Companies Act 1981. The Petition was based on an alleged claim that certain affairs of the Company had been conducted in a manner that was oppressive or unfairly prejudicial to the interests of certain shareholders of the Company, including Kistefos itself. Pursuant to the Petition, Kistefos sought an order from the Court to either (i) force the Company or the former director to purchase all the shares of the Company held by Kistefos, at a fair value to be determined by the Court; or (ii) wind-up the Company by the Court.

After taking legal advice from its legal advisors in Bermuda, the Company made a strike out application in relation to the Petition, the Court hearing of which was completed in September 2001. In October 2001, the Court struck out the claim of Kistefos to wind-up the Company, and the remaining relief claimed by Kistefos in the Petition remains to be dealt with by the Court in subsequent hearings. In December 2001, the Company appealed to the Court of Appeal of Bermuda to strike out the entire Petition. In February 2002, Kistefos filed a notice of intention to the Court of Appeal of Bermuda to appeal against the decision made by the Court to strike out the claim to wind-up the Company. The hearing of the appeal was conducted in June 2002 and the Court of Appeal of Bermuda dismissed both the appeal of the Company and the cross-appeal of Kistefos. As a result, the claim by Kistefos to wind-up the Company remains struck out while the remaining relief claim was dealt with by the Court on 28 June 2004.

On 8 July 2004, a compromise was reached between Kistefos and the Company in which a consent order (the "Consent Order") was issued by the Court for the parties. According to the Consent Order, the two parties will bear all of their own costs of the Petition and the Company and Kistefos have no further liability to each other for cost or otherwise in respect of the Petition. On 12 July 2004, a notice of discontinuance was filed by Kistefos to the Court to discontinue the Petition under the terms of the Consent Order.

3. PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations

- (a) the property investment;
- (b) the provision of financial services;

Discontinued/discontinuing operations

- (c) the provision of corporate finance, securities investment and investment advisory services;
- (d) the manufacture and distribution of precision components processing equipment; and
- (e) the trading of precision components processing equipment.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

a. Business segment

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

	Continuing operations				Discontinued/Discontinuing operations				Consolidated			
	Property investment		Financial services		Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment			
	Six months ended 30 September 2004	Six months ended 30 September 2003	Six months ended 30 September 2004	Six months ended 30 September 2003	Six months ended 30 September 2004	Six months ended 30 September 2003	Six months ended 30 September 2004	Six months ended 30 September 2003	Six months ended 30 September 2004	Six months ended 30 September 2003		
	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000	(Unaudited) \$'000		
Segment revenue: Sales and services to external customers	1,970	-	627	-	-	577	-	18,089	48	179	2,645	18,845
Segment results	1,706	-	627	(98)	-	(241)	-	(11,193)	(244)	(2,784)	2,089	(4,316)
Unallocated revenue											636	7,706
Unallocated expenses											(18,856)	(31,067)
Loss from operating activities											(16,131)	(27,677)
Finance costs											(238)	(70)
Loss before tax											(16,369)	(27,747)
Tax											(197)	-
Net loss from ordinary activities attributable to shareholders											(16,566)	(27,747)
	As at 30 September 2004	As at 31 March 2004	As at 30 September 2004	As at 31 March 2004	As at 30 September 2004	As at 31 March 2004	As at 30 September 2004	As at 31 March 2004	As at 30 September 2004	As at 31 March 2004	As at 30 September 2004	As at 31 March 2004
	(Unaudited) \$'000	(Audited) \$'000	(Unaudited) \$'000	(Audited) \$'000	(Unaudited) \$'000	(Audited) \$'000	(Unaudited) \$'000	(Audited) \$'000	(Unaudited) \$'000	(Audited) \$'000	(Unaudited) \$'000	(Audited) \$'000
Segment assets	118,341	77,348	8,638	40,384	-	-	-	-	1,674	1,932	128,653	119,664
Unallocated assets											27,480	48,753
Total assets											156,133	168,417
Segment liabilities	6,813	3,605	1,766	162	-	-	-	-	283	298	8,862	4,065
Unallocated liabilities											9,723	10,238
Total liabilities											18,585	14,303
Capital expenditure	41,219	71,187	-	-	-	-	-	51	-	-	41,219	71,238
Unallocated capital expenditure											-	901
Total											41,219	72,139

b. Geographical segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		Taiwan		Consolidated	
	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000
Segment revenues:								
Sales and services to external customers	675	756	1,970	8,772	-	9,317	2,645	18,845
Other revenue	636	7,493	-	10	-	944	636	8,447
Total	1,311	8,249	1,970	8,782	-	10,261	3,281	27,292
	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000
Other segment information:								
Segment assets	20,260	91,069	135,873	77,348	-	-	156,133	168,417
Capital expenditure	-	944	41,219	71,187	-	8	41,219	72,139

4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and crediting the following:

	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000
After charging –		
Depreciation	271	2,338
Amortization of goodwill	923	-
Staff cost (including directors' emoluments)	2,659	5,615
Operating lease rentals for rented premises	869	1,819
	4,722	9,772
After crediting –		
Interest income from		
– bank deposits	1	22
– other loans	627	-
	628	22

5. TAXATION

No Hong Kong profit tax had been provided during the period ended 30 September 2004 as the Company, its subsidiaries, associate and jointly-controlled entry had no assessable profit arising in Hong Kong during the period.

The Group's subsidiary registered in the People's Republic of China (the "PRC") is exempt from PRC corporate income tax for two years starting from the first profitable year of their operations and is entitled to a 50% relief from corporate income tax for the following three years under the PRC tax laws. No provision for income tax has been made as this subsidiary has available tax losses brought forward from prior years to offset the assessable profits generated during the period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof. In accordance with the relevant tax rules and regulations, the Company's subsidiary registered in Mainland China benefits from income tax exemption and reduction.

	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000
Group:		
Charge for the year		
Current-Hong Kong	-	-
Current-Elsewhere	197	-
	<hr/>	<hr/>
Total tax charge for the year	197	-
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6. DIVIDENDS

No dividend was paid during the period. The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2004 (30 September 2003: nil).

7. DISCONTINUED/DISCONTINUING OPERATIONS

Pursuant to two sale and purchase agreements in July and August 2003, the Group disposed the manufacture and distribution of precision components processing equipment and the corporate finance and investment advisory services operations respectively; results of which were recorded in the last annual report of the Company.

Pursuant to a board resolution passed on 23 July 2004, the Group ceased the operations of trading of precision components processing equipment through abandonment.

	Corporate finance, securities investment and investment advisory services		Manufacture and distribution of precision components processing equipment		Trading of precision components processing equipment		Total	
	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000	Six months ended 30 September 2004 (Unaudited) \$'000	Six months ended 30 September 2003 (Unaudited) \$'000
TURNOVER	-	577	-	18,089	48	179	48	18,845
Cost of sales	-	-	-	(16,214)	-	(184)	-	(16,398)
Gross profit	-	577	-	1,875	48	(5)	48	2,447
Other revenue and gains	-	-	-	954	509	16	509	970
Selling and distribution expenses	-	-	-	(551)	-	-	-	(551)
Administrative expenses	-	(818)	-	(3,471)	(801)	(2,795)	(801)	(7,084)
LOSS BEFORE TAX	-	(241)	-	(1,193)	(244)	(2,784)	(244)	(4,218)
Tax	-	-	-	-	-	-	-	-
NET LOSS FROM ORDINARY ACTIVITIES TO SHAREHOLDERS	-	(241)	-	(1,193)	(244)	(2,784)	(244)	(4,218)
Total assets	-	-	-	-	1,674	1,923	1,674	1,923
Total liabilities	-	-	-	-	(283)	(298)	(283)	(298)
	-	-	-	-	1,391	1,625	1,391	1,625

	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000
Total assets	-	-	-	-	1,674	1,923	1,674	1,923
Total liabilities	-	-	-	-	(283)	(298)	(283)	(298)
	-	-	-	-	1,391	1,625	1,391	1,625

8. LOSS PER SHARE

The calculation of basic loss per share was based on the unaudited consolidated loss attributable to shareholders of \$16,566,000 (30 September 2003: \$27,747,000) and 433,302,000 (30 September 2003: 409,249,000) shares in issue during the period.

Diluted loss earnings per share for the six months ended 30 September 2004 and 2003 have not been calculated because no potential dilutive ordinary shares existed during such period.

9. GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net asset of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions is separately shown on the consolidated balance sheet and is amortised using the straight-line method over 5 years.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount and any write-down is accounted for in the profit and loss amount.

	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000
Cost	18,455	-
Amortisation of goodwill	(923)	-
	<hr/>	<hr/>
Net book value	<u>17,532</u>	<u>-</u>

10. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment of the customers or to those customers which have an established payment record. The Group usually allows an average credit period of 90 days to its customers and seeks to maintain strict control over its outstanding receivables. The following is an aging analysis of trade receivables, based on the invoice date.

	As at 30 September 2004 (Unaudited) \$'000	As at 31 March 2004 (Audited) \$'000
Less than 90 days	360	2,112
91-180 days	346	34
Over 181 days	728	5,942
	1,434	8,088
Less: Provision for doubtful receivables	-	(5,973)
	1,434	2,115

11. LOAN RECEIVABLES

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The loan receivables of \$5,400,000 (31 March 2004: \$30,000,000) bear interest at the Hong Kong dollar prime rate per annum and no loan receivable outstanding (31 March 2004: \$10,000,000) bears interest at 5% per annum. All the loan receivables are repayable within one year from the dates on which the loans are granted.

12. SHARE CAPITAL

	Number of shares '000	Nominal value \$'000
<i>Authorised:</i>		
At 30 September 2004 (Unaudited) and 31 March 2004 (Audited)	<u>900,000</u>	<u>90,000</u>
<i>Issued and fully paid:</i>		
At 30 September 2004 (Unaudited) and 31 March 2004 (Audited)	<u>433,302</u>	<u>43,330</u>

During the prior period ended 30 September 2003, a rights issue on the basis of one rights share for every two existing shares at an issue price of \$0.30 per rights share was made, resulting in the issue of 144,434,000 shares of \$0.10 each for a total cash consideration after expenses of approximately \$42,461,000.

13. ACQUISITION OF SUBSIDIARIES

Pursuant to a conditional agreement in March 2004, the Group acquired the entire issued share capital of Smart Wave Limited ("Smart Wave") and the benefit of a shareholder's loan due from Smart Wave to the vendor at considerations of approximately \$21.3 million and \$33.7 million, respectively. Smart Wave was incorporated in the British Virgin Islands and is an investment holding company whose principal asset was an indirect equity interest in certain industrial land situated at Shenzhen, PRC. The acquisition was completed on 9 July 2004.

	\$'000
Net assets acquired	36,545
Goodwill on acquisition (<i>note 9</i>)	18,455
	<u>55,000</u>
Satisfied by:	
– Cash	<u>55,000</u>
Net cash outflow arising on acquisition:	
Cash consideration paid	(55,000)
Bank balances and cash acquired	98
	<u>(54,902)</u>

14. RELATED PARTY TRANSACTIONS

There is no transaction with related parties during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

General Overview

For the six months ended 30 September 2004, the Group's turnover decreased by approximately 86% to approximately HK\$2.6 million as compared to approximately HK\$18.8 million for the corresponding period in 2003. The decrease was mainly due to the discontinuance of the manufacturing and corporate finance operations in July/August 2003 and the cessation of the trading business of the Group during the period under review. The property investments business in Beijing, PRC started to generate turnover for the Group and a rental income of approximately HK\$2 million was recorded for the period under review. Since the second half of the previous financial year, the Group had re-activated the financial services operations. Accordingly, interest income derived from the operations of approximately HK\$0.6 million was recorded for the period under review. The Group recorded a loss attributable to shareholders of approximately HK\$16.6 million as compared to approximately HK\$27.7 million for the corresponding period in 2003. The loss was mainly attributed to the loss and provision for unrealized loss on listed investments which amounted to HK\$11.8 million.

Loss per share for the period was 3.8 cents (30 September 2003: 6.8 cents) and the Board did not recommend any interim dividend for the six months ended 30 September 2004.

Review of Business Operations

Discontinued Operations/Discontinuing Operations

Trading business

The performance of the trading operations had been disappointing for the period under review due to fierce competitions; turnover decrease by approximately 73% to about HK\$48,000 as compared to the corresponding figure for 2003. As mentioned in the Company's last annual report, the Group had failed to introduce strategic partners to rejuvenate the trading business. Accordingly, in a Board meeting in July 2004, the management decided to cease the trading operations through abandonment. As a result, loss for the trading business was decreased approximately 91% to about HK\$244,000 for the period under review (30 September 2003: loss of HK\$2,784,000).

Continuing operations

Investments and financial services

A loss on disposal of short term listed investments of approximately HK\$5 million (30 September 2003: loss of HK\$22.4 million) was recorded for the period under review. During the period under review, provision for unrealized loss on short term listed investments of approximately HK\$6.1 million (30 September 2003: unrealized gain of HK\$5.7 million) was recorded. With the upcoming economic growth in Hong Kong and the investment environment recovers recently, the management believes the capital market will improve in the coming future.

Since the second half of the pervious financial year, the Group had re-activated the financial services operations in Hong Kong. Accordingly, interest income derived from the operations of HK\$0.6 million was recorded for the period under review (30 September 2003: nil).

Property Investments

With a redefined corporate strategy mentioned in the Company's last interim and annual report, the Group has extended its business to the field of property investment through acquisitions in PRC. Accordingly, the property investment in certain commercial properties in Beijing, PRC started to generate turnover for the Group and rental income of approximately HK\$2.0 million was recorded for the period under review. With the improvement in the macroeconomic outlook of PRC and the urbanization program implemented by the Beijing municipal government, the management sees the Beijing property market would grow steadily in the coming future. When opportunities arise and at reasonable terms, the management may dispose part of the properties so as to capitalize the appreciation of the value of the properties and release capital for further investments to strengthen the earning stream.

Pursuant to a conditional agreement in 29 March 2004, the Group acquired the entire issued share capital of Smart Wave Limited ("Smart Wave") and the benefit of a shareholder's loan due from Smart Wave to the vendor at considerations of approximately HK\$21.3 million and HK\$33.7 million, respectively. Smart Wave was incorporated in the British Virgin Islands and is an investment holding company whose principal asset was an indirect equity interest in certain industrial land situated at Shenzhen, PRC. The acquisition was completed on 9 July 2004. The management believes that the abundant manpower supply at competitive price in PRC, the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and mainland and PRC has commenced its membership to the World Trade Organization, hence enhancing the demand for quality industrial complex, and the acquisition would enable the Group to tap this opportunity. The Directors believe that the investment will generate reasonable financial returns in the coming years.

Review of Financial Position

The financial position of the Group remains healthy for the period under review. As at 30 September 2004, the Group maintained a cash level of about HK\$3.8 million, with a current ratio of about 1.0 (total current assets to total current liabilities) (31 March 2004: 5.7). The decrease in the current ratio as compared to that as at 31 March 2004 was mainly due to the utilization of most of the Group's cash resources in the acquisitions of the Group's property investments during the period under review.

Except for the hire purchase of certain fixed assets of the Group, the Group had no bank borrowings and not pledged any of the Group's assets as at the period end date. During the period under review, the Group did not incur or commit any material capital investment or expenditure except for the acquisition of certain industrial land in Shenzhen, PRC. As at 30 September 2004, the Group did not have any material contingent liabilities.

Foreign exchange and interest rate exposure

The Group mainly earned revenue and incurred cost in Hong Kong Dollar and Renminbi. The directors consider the impact of foreign exchange of the Group is minimal. Although the management believes the impact will be minimal, the management will closely monitor the fluctuation in this currency and take appropriate actions when condition arises.

Employment, training and remuneration policy

As at 30 September 2004, the Group's operations engaged a total of about 25 staffs and workers. The remuneration policy of the Group's employees are reviewed and approved by the executive directors based on individual experience and qualifications as well as the job responsibilities and market conditions at the relevant time. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. During the period, no share options were granted to any director or employee of the group. Benefits include staff accommodation, medical schemes and Mandatory Provident Fund Scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the People's Republic of China.

Prospects

Gradual shift of its corporate strategy from the manufacturing business and the corporate finance and investment advisory business to property investment business allows the Group to focus its resources on property investment in PRC in an attempt to broaden its earning base and catch new opportunities in the long run. By adopting a prudent approach in its new business development and financial strategy, the Group hopes to take advantage of new business opportunities with strong market momentum and potential. It is believed that the new business strategy will bring to the shareholders greater value created from the new business in the long run. The management of the Group will continue to search for any potential investment opportunities that can benefit the Group in the long term.

OTHER INFORMATION

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 September 2004, the interests and short positions of the directors and or their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise 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 and the Model Code for the Securities Transactions by Directors of Listed Companies were as follows:

Long position in ordinary shares of the Company:

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Ms. Huang Ning	Corporate	141,712,500	32.71

Note: The interests in these Shares are held by Victory Rider Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Huang Ning. Accordingly, Ms. Huang Ning is deemed to be interested in all the Shares in which Victory Rider Limited is interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2004, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for the Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares or debentures

At no time during the period under review 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 minor children 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 schemes

The Company had adopted a share option scheme (the "Scheme") approved at an extraordinary general meeting of the Company held on 30 August 2002 under which the Company may grant options to those eligible persons (including directors of the Company) to subscribe for shares of the Company.

During the period under review, 14,443,400 share options lapsed. Pursuant to an ordinary resolution passed at a special general meeting held on 28 June 2004, the outstanding 14,443,400 share options were cancelled. No consideration was payable by the Company for the cancellation of the share options.

No share option was granted or exercised during the six months ended 30 September 2004. As at 30 September 2004, there was no share option outstanding under the Scheme.

Directors' interests in contracts

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period under review.

Disclosable interests and short positions of shareholders under the SFO

As at 30 September 2004, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any directors or chief executive of the Company, the following persons had, or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long positions:

Name of shareholder	Notes	Nature of Interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Victory Rider Limited	<i>i</i>	Corporate	141,712,500	32.71
Huang Ning	<i>i</i>	Corporate	141,712,500	32.71
Kistefos Investment A.S.	<i>ii</i>	Corporate	62,400,000	14.40

Notes:

- i. As at 30 September 2004, Ms. Huang Ning was the beneficial owner of Victory Rider Limited. Details of the interest of Ms. Huang Ning in the shares of the Company are set out in the section "Directors' and chief executives interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" of this report.
- ii. So far as is known to the Directors, Kistefos Investment A.S. is wholly-owned by A.S. Kistefos Traesliberi, in which Mr. Christen Sveaas has an 85% beneficial interest.

Save as disclosed above, the directors are not aware of any person had or were deemed or taken to have, an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Appointment and resignation of Directors

During the period under review, Ms. Kwai Laam and Mr. Qi Jin Feng were appointed as independent non-executive directors and members of the audit committee of the Company with effect from 7 September 2004. Mr. Lo Kwok Hung, John resigned as an independent non-executive director and member of the audit committee of the Company on 6 September 2004.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

Code of Best Practice

In the opinion of the directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period ended 30 September 2004, except that the non-executive directors of the Company are not appointed for a specific term. However, the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

Audit committee

The Company's audit committee comprises three independent non-executive directors of the Company, namely Ms. Kwai Laam, Mr. Lau Man Tak and Mr. Qi Jin Feng. The audit committee has been delegated the authority from the board to review the financial reporting and internal control procedures of the Company, including a review of the accounts for the six months ended 30 September 2004 with the Board.

BY ORDER OF THE BOARD

Zhou Wei
Chairman

Hong Kong, 28 December 2004