

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors (“Board”) of Nippon Asia Investments Holdings Limited (formerly known as “China City Natural Gas Holdings Limited”) (“Company”) presents the unaudited interim results of the Company and its subsidiaries (collectively “Group”) for the six months ended 31 January 2005, together with the comparative figures.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 January 2005

	Note	(Unaudited) For the six months ended 31 January 2005 HK\$'000	(Unaudited) For the six months ended 31 January 2004 HK\$'000 (Restated)
TURNOVER	3		
– Continuing operations		53,571	28,717
– Discontinuing operations		2,821	10,243
		56,392	38,960
Cost of sales		(39,775)	(29,651)
Gross profit		16,617	9,309
Other revenue and gains	4	37,637	35,087
Selling & distribution costs		(3,786)	(1,740)
Administrative expenses		(21,161)	(28,005)
Other expenses		(14,630)	–
Provision for impairment on long-term investments		(107,836)	(48,269)
LOSS FROM OPERATING ACTIVITIES	5	(93,159)	(33,618)
Finance costs		(2,108)	(1,465)
Amortisation of goodwill		(50)	(51)
LOSS BEFORE TAX			
– Continuing operations		(85,342)	(34,788)
– Discontinuing operations		(9,975)	(346)
		(95,317)	(35,134)
Tax	6		
– Continuing operations		(740)	(112)
– Discontinuing operations		(24)	–
		(764)	(112)
LOSS BEFORE MINORITY INTERESTS		(96,081)	(35,246)
Minority interests		(1,867)	(206)
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(97,948)	(35,452)
LOSS PER SHARE	7		
Basic		(0.85) cent	(0.29) cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 January 2005

	Note	(Unaudited) At 31 January 2005 HK\$'000	(Audited) At 31 July 2004 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets		140,440	142,243
Long-term investments		16,513	123,523
Goodwill		950	–
Interest in an associate		–	568
		157,903	266,334
CURRENT ASSETS			
Inventories		10,516	12,627
Trade receivables	8	15,670	24,622
Prepayments, deposits and other receivables		27,958	16,562
Short-term investments		55,208	16,013
Cash and cash equivalents		87,622	44,807
		196,974	114,631
CURRENT LIABILITIES			
Trade payables	9	7,611	15,886
Tax payable		1,506	1,021
Other payables and accruals		32,295	44,655
Bank loans (unsecured)		6,596	7,067
Convertible Notes	10	16,000	20,000
		64,008	88,629
NET CURRENT ASSETS		132,966	26,002
TOTAL ASSETS LESS CURRENT LIABILITIES		290,869	292,336
NON-CURRENT LIABILITIES			
Deferred tax liabilities		365	365
Bank loan (secured) – due after 1 year		47,586	47,115
Government loan		49,094	49,094
		193,824	195,762
MINORITY INTERESTS		6,362	4,161
NET ASSETS		187,462	191,601
CAPITAL AND RESERVES			
Issued share capital	11	408,669	238,046
Reserves		(221,207)	(46,445)
		187,462	191,601

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Other capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 August 2004	238,046	995,175	675	-	25,341	(1,067,636)	191,601
Shares issued upon conversion of convertible notes	24,600	-	-	-	-	-	24,600
Exercise of share options	18,000	-	-	-	-	-	18,000
Shares issued upon rights issue	51,209	-	-	-	-	-	51,209
Bonus shares issued from share premium	76,814	(76,814)	-	-	-	-	-
Loss for the period	-	-	-	-	-	(97,948)	(97,948)
At 31 January 2005	408,669	918,361	675	-	25,341	(1,165,584)	187,462
At 1 August 2003	217,141	983,219	675	(650)	25,341	(851,707)	374,019
Issue of shares	20,905	11,956	-	-	-	-	32,861
Changes in fair value of long-term investments	-	-	-	(44,646)	-	-	(44,646)
Impairment losses on long-term investments transferred to profit and loss account	-	-	-	48,269	-	-	48,269
Loss for the period	-	-	-	-	-	(35,452)	(35,452)
At 31 January 2004	238,046	995,175	675	2,973	25,341	(887,159)	375,051

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) For the six months ended 31 January 2005 <i>HK\$'000</i>	(Unaudited) For the six months ended 31 January 2004 <i>HK\$'000</i> (Restated)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES:		
Continuing operations	(40,197)	12,909
Discontinued operations	921	667
	(39,276)	13,576
INVESTING ACTIVITIES		
Continuing operations	(3,427)	(121,342)
Discontinued operations	(2,021)	(767)
	(5,448)	(122,109)
FINANCING ACTIVITIES		
Continuing operations	87,539	63,368
Discontinued operations	–	–
	87,539	63,368
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,815	(44,165)
Cash and cash equivalents at beginning of period	44,807	201,537
CASH AND CASH EQUIVALENTS AT END OF PERIOD	87,622	157,373

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Statements of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”), and on a basis consistent with the principal accounting policies and methods of computation adopted in the Group’s annual financial statements for the year ended 31 July 2004, except that the Group has early adopted certain new Hong Kong Accounting Standards as explained below.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKASs”) (collectively the “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the period ended 31 January 2005 except for HKAS No. 31 “Interests in Joint Ventures” and Hong Kong Accounting Standard Interpretation No. 13 “Jointly-controlled Entities – Non-Monetary Contributions by Venturers” (HKAS-INT 13”). The Group has already commenced an assessment of the impact of the remaining new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The early adoption of HKAS No. 31 and HKAS-INT 13 has resulted in a change in the accounting policy for the Group’s interests in jointly controlled entities. Prior to the adoption of HKAS No. 31, the Group’s interests in jointly controlled entities are stated in the consolidated balance sheet at the Group’s share of net assets, less any impairment losses. The Group’s share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement. In accordance with the provisions of HKAS No. 31, interests in jointly controlled entities are accounted for by proportionate consolidation. Share of jointly controlled entities’ individual income and expenses, assets and liabilities are combined in the Group’s financial statements on a line by line basis. In the absence of any specific transitional requirements in HKAS No. 31, the new accounting policy has been applied retrospectively. The comparative information for the period ended 31 January 2004 have been restated to conform to the new policy. The effect of the change in this accounting policy on the consolidated financial statements for the period ended 31 January 2005 in the increase of non-current assets, current assets, current liabilities and non-current liabilities as at 31 January 2005 by HK\$128 million, HK\$79 million, HK\$37 million and HK\$103 million respectively, the increase of non-current assets, current assets, current liabilities and non-current liabilities as at 31 July 2004 by HK\$125 million, HK\$85 million, HK\$49 million and HK\$100 million respectively, and there is no impact on the loss for the period ended 31 January 2005 and 2004 and the retained earnings as at 1 August 2004.

3. SEGMENT INFORMATION

The Group is principally engaged in investment in Internet, information technology and other activities, investment in natural gas business, and manufacture and trading of silicone rubber products. The operations of manufacture and trading of silicone rubber products were discontinued during the period ended 31 January 2005.

An analysis of the Group's segment revenues and segment results for the period by business segment is as follows:

	Continuing operations				Discontinuing operations		Consolidated	
	Investment in internet and information technology activities		Investment in natural gas business		Manufacture and trading of silicone rubber product			
	Six months ended 31 January							
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)
Segment revenue: Turnover	-	-	53,571	28,717	2,821	10,243	56,392	38,960
Segment results	(92,862)	(34,229)	9,678	957	(9,975)	(346)	(93,159)	(33,618)
Finance costs							(2,108)	(1,465)
Amortisation of goodwill							(50)	(51)
Loss before tax							(95,317)	(35,134)
Tax							(764)	(112)
Loss before minority interests							(96,081)	(35,246)
Minority interests							(1,867)	(206)
Net loss attributable to shareholders							(97,948)	(35,452)

An analysis of the Group's segment revenues and segment results for the period by geographical segment is as follows:-

	Continuing operations				Discontinuing operations		Total	
	Investment in internet and information technology activities		Investment in natural gas business		Manufacture and trading of silicone rubber product			
	Six months ended 31 January							
	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)	2005 HK\$'000	2004 HK\$'000 (Restated)
Segment revenue								
Hong Kong	-	-	-	-	1,314	5,638	1,314	5,638
Mainland China	-	-	53,571	28,717	-	-	53,571	28,717
Asia (other than Mainland China)	-	-	-	-	62	658	62	658
North America	-	-	-	-	360	2,047	360	2,047
Europe	-	-	-	-	706	1,900	706	1,900
Other countries	-	-	-	-	379	-	379	-
	-	-	53,571	28,717	2,821	10,243	56,392	38,960

4. OTHER REVENUE AND GAINS

	(Unaudited) For the six months ended 31 January 2005 HK\$'000	(Unaudited) For the six months ended 31 January 2004 HK\$'000 (Restated)
Interest income	2	312
Gain on disposal of short-term investments	26,633	8,340
Gain on disposal of long-term investments	575	–
Unrealised gain on short-term investments	3,602	25,302
Unrealised gain on long-term investments	6,825	–
Others	–	1,133
	37,637	35,087

5. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging:

	(Unaudited) For the six months ended 31 January 2005 HK\$'000	(Unaudited) For the six months ended 31 January 2004 HK\$'000 (Restated)
Loss on disposal of fixed assets	(10,910)	–
Impairment of leasehold land and buildings	(1,454)	–
Depreciation	(5,113)	(1,852)

6. TAX

	(Unaudited) For the six months ended 31 January 2005 HK\$'000	(Unaudited) For the six months ended 31 January 2004 HK\$'000 (Restated)
Current taxation		
Continuing operations – Other jurisdiction	740	112
Discontinuing operations – Other jurisdiction	24	–
	764	112

No provisions for Hong Kong Profits Tax has been made as the Group did not generate any assessable profit arising in Hong Kong during the period.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

No provision for deferred tax had been made in the interim financial statements as there were no significant temporary differences arising from the period or at the balance sheet date.

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 January 2005 is based on the net loss attributable to shareholders of HK\$97,948,000 (2004: HK\$35,452,000) and on the weighted average of 11,461,272,424 (2004: 12,094,875,316 restated) ordinary shares in issue.

No diluted loss per share has been presented for the six months ended 31 January 2005 and 31 January 2004 as the convertible notes and options outstanding during those periods had anti-dilutive effects on the basic loss per share for those periods.

8. TRADE RECEIVABLES

Ageing:	(Unaudited) At 31 January 2005 <i>HK\$'000</i>	(Audited) At 31 July 2004 <i>HK\$'000</i> (Restated)
Current to 90 days	11,906	24,174
91 – 180 days	2,830	382
Over 180 days	934	66
Total	15,670	24,622

The Group allows an average credit period of 60 days to its trade customers and keeps monitoring its outstanding trade receivables. Overdue balances are regularly reviewed by the senior management of the Group.

The above ageing analysis of trade receivables was based on the due dates of the revenue recognised from the respective sales of goods.

9. TRADE PAYABLES

Ageing:	(Unaudited) At 31 January 2005 <i>HK\$'000</i>	(Audited) At 31 July 2004 <i>HK\$'000</i> (Restated)
Current to 90 days	7,108	14,837
91 – 180 days	227	473
Over 180 days	276	576
Total	7,611	15,886

The above ageing analysis of trade payables was based on the dates of the receipt of the respective goods and services.

10. CONVERTIBLE NOTES

In October and November 2004, the Company issued 1-year 1% convertible notes in the aggregate principal amount of US\$2,000,000 (approximately HK\$15,600,000) and HK\$25,000,000 respectively to independent third parties, entitling the holders thereof to convert up to an aggregate of 1,624,000,000 shares of the Company at an initial conversion price of HK\$0.025 per share. During the period under review, the convertible note in the principal amount of US\$2,000,000 was fully converted into 624,000,000 shares and an amount of HK\$9,000,000 in respect of the HK\$25,000,000 convertible notes was converted into 360,000,000 shares. Consequently, there were outstanding convertible notes in an aggregate principal amount of HK\$16,000,000. As a result of the Company's Capital Reorganisation effective on 6 April 2005, the relevant conversion price was adjusted from HK\$0.025 to HK\$0.25 per share and the number of shares falling to be issued under the outstanding convertible notes was adjusted from 640,000,000 to 64,000,000.

The convertible note in the principal amount of HK\$20,000,000 issued by the Company in January 2004 has been wholly redeemed by the Company in December 2004.

11. SHARE CAPITAL

	(Unaudited) At 31 January 2005		(Audited) At 31 July 2004	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised				
Ordinary share of HK\$0.025 each	50,000,000,000	1,250,000	20,000,000,000	500,000
Issued and fully paid				
At beginning of the period/year	9,521,841,423	238,046	8,685,651,423	217,141
Exercise of share options	720,000,000	18,000	336,190,000	8,405
Placing of shares	–	–	500,000,000	12,500
Shares issued upon rights issue	2,048,368,284	51,209	–	–
Shares issued upon capitalisation of share premium account	3,072,552,426	76,814	–	–
Shares issued upon conversion of convertible notes	984,000,000	24,600	–	–
At end of the period/year	16,346,762,133	408,669	9,521,841,423	238,046

All the new shares issued during the period/year rank pari passu in all respects with the then existing shares.

12. LITIGATION

On 11 August 2003, legal proceedings were brought by a third party against the Company for an alleged breach of an arrangement relating to a proposed sale of certain subsidiaries of the Company including an exclusivity arrangement. The amount claimed by the third party against the Company are damages of (i) the chance to acquire HK\$129 million worth of assets being the combined net asset value of those subsidiaries as at 31 March 2003 for the consideration of HK\$40 million and (ii) breach of terms in the relevant agreements for a sum of HK\$3 million. Subsequent to the balance sheet date, the Company has paid HK\$3 million to settle the legal proceedings.

Golite International Limited (“Golite”) is a wholly-owned subsidiary of the Group engaged in the manufacturing and trading of silicone rubber products, where manufacturing operation is carried out in Qishi, Dongguan, the PRC under a feeding processing arrangement made between a Dongguan manufactory (“Manufactory”) and Golden Power Industries Limited (“Golden Power”), a disposed subsidiary of the Group engaged in the manufacturing of batteries. Following the disposal of the battery business, Golite decided to detach its manufacturing operation from the Manufactory, and a new factory was set up. Requests were made to Golden Power on releasing the plants and machineries, and trading records, but such requests were unreasonably rejected. Most of the trading records were returned to Golite and having consulted with its legal advisor, Golite is going to take legal action to retrieve the plants and machineries, and its stocks held by Golden Power.

13. POST BALANCE SHEET EVENTS

Placing of Shares

On 22 December 2004, the Company entered into a placing agreement with Kingston Securities Limited in respect of placing of 1,000,000,000 shares of HK\$0.025 each. The said placing of shares was completed in February 2005, and a net proceeds of approximately HK\$24.7 million was raised.

Proposed Issue of Convertible Notes

Pursuant to the conditional subscription agreement dated 26 January 2005 and supplemental agreement dated 4 February 2005 entered into between the Company and Global Capital Management Inc, the Company would issue convertible notes in the principal amount of JPY290,000,000 (equivalent to HK\$21,750,000) at a conversion price of HK\$0.18 per share (“GC Convertible Note”). Upon full conversion of the GC Convertible Note, the maximum number of conversion shares to be issued is 120,833,333 shares of HK\$0.01.

In addition, the Company also entered into a conditional placing agreement on 28 January 2005 and supplemental agreement on 4 February 2005 with Kingston Securities Limited and pursuant to which Kingston Securities Limited would place, on a fully underwritten basis, to independent investors convertible notes of the Company in the principal amount of HK\$40,000,000 at a conversion price of HK\$0.18 per share convertible into 222,222,222 shares of HK\$0.01 each in the capital of the Company.

Change of Auditors

As announced by the Company on 31 March 2005, the Company proposed to appoint KLL Associates CPA Ltd as its auditors to fill the casual vacancy arising from the resignation of Messrs Ernst & Young effective 22 March 2005. A resolution for the appointment of new auditors will be proposed at the special general meeting of the Company to be held on 6 May 2005.

Capital Reorganisation

On 4 April 2005, the shareholders of the Company approved of the capital reorganisation of the Company ("Capital Reorganisation") consisting of the (i) reduction of the nominal value of each issued share from HK\$0.025 to HK\$0.001 by canceling paid-up capital to the extent of HK\$0.024 on each issued share ("Capital Reduction") whereas the credit amount from the Capital Reduction of HK\$416,322,291.19 will be used to eliminate the accumulated losses of of the Company; (ii) subdivision of every unissued share into 25 shares of HK\$0.001 each immediately upon the Capital Reduction becoming effective ("Unissued Share Subdivision"); and (iii) consolidation of every 10 shares of HK\$0.001 each into 1 new share of HK\$0.01 each immediately upon the Capital Reduction and the Unissued Share Subdivision becoming effective, such that the authorised share capital of the Company will be changed from HK\$1,250,000,000 comprising 50,000,000,000 shares to HK\$1,250,000,000 comprising 125,000,000,000 new shares.

The board lot size for trading in the shares of the Company has also been changed from 2,000 shares to 20,000 shares.

14. COMPARATIVE AMOUNTS

Due to the discontinuance of the silicone rubber operation and the change in the accounting policy for the Group's interests in the jointly controlled entity, the condensed consolidated financial statements of last corresponding period have been restated to conform with the current period's presentation.

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 27 April 2005.

REPORT OF THE BOARD

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 January 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the Group has changed its accounting policy for its interests in the jointly controlled entities, accordingly the Group has proportionate consolidated the 50% equity interest in its jointly controlled entity – China City Natural Gas Co., Ltd. (“CCNGCL”) into its accounts. The Group, through CCNGCL, a joint venture with China Petroleum Pipeline Bureau (中國石油天然氣管道局), holds joint venture natural gas companies in various cities and areas in China, namely, Xining, Tianjin (Binhai District), Liling, Binzhou, Huimin and Qingyun to operate piped natural gas business.

Due to the change in accounting policy, the financial statements of last corresponding period has also been restated for the proportionate consolidation of 50% equity interest in CCNGCL to conform with the current period’s presentation and to provide comparative information.

FINANCIAL RESULTS

For the six months ended 31 January 2005, the turnover of the Group was approximately HK\$56.4 million, representing a 45% increase as compared to HK\$39 million of last corresponding period. Such increase was mainly due to the increase in the sales of piped natural gas and the decrease in turnover of the silicone rubber business. The Group’s unaudited consolidated loss attributed to shareholders was approximately HK\$98 million, representing an increase in loss of approximately 176% as compared with HK\$35.5 million for the corresponding period last year. The increase in loss attributable to shareholders was mainly due to the provision of impairment loss on the long-term investments of approximately HK\$107.8 million. Loss per share for the period under review was HK0.85 cent (2004: HK0.29 cent restated).

BUSINESS REVIEW

The Group is principally engaged in investments in Internet, information technology and other activities, and natural gas business. Following the disposal of its battery operation in July 2003, the industrial segment is no longer the Group’s major focus, and the Group has decided to discontinue the manufacturing and trading of silicone rubber products.

Investment Business

During the period under review, the performance of some of the investee companies are hindered behind the business target. As to our prudent accounting policy, an impairment loss on the long-term investments of HK\$107.8 million (2004: HK\$48.3 million) was made. The value of certain securities, has increased during the period and the Group recorded a gain in disposal of securities of approximately HK\$26.6 million (2004: HK\$8.3 million) together with an unrealised gain of approximately HK\$3.6 million (2004: HK\$25.3 million).

As at 31 January 2005, the Group has total long-term investments of HK\$16.5 million, and maintained a marketable securities portfolio, consisting of equity securities listed in Hong Kong, of approximately HK\$55.2 million.

Natural Gas Business

During the period under review, the performance of the natural gas business has improved and continue to grow, the turnover of the natural gas business proportioned to the Group was approximately HK\$53.5 million, which is approximately 95% of the total turnover of the Group and representing a 86% increase as compared with the proportioned turnover of the natural gas business in last corresponding period of approximately HK\$28.7 million. The increase in turnover was mainly due to the increase in demand for natural gas in Xining and Liling in the PRC. Proportioned profit for the period was recorded at HK\$5.5 million (2004: HK\$0.6 million).

The change in accounting policy has a positive impact on the Group as the proportionate consolidation of equity interest in CCNGCL into the Group's accounts reveals the value of the natural gas investment, as well as the value of the Group as a whole. We are optimistic in the natural gas business, as energy industry is a vigorous segment in China, and the need for cheaper and cleaner energy in China is always highly regarded.

Manufacturing Business (discontinuing)

Following the disposal of the Group's battery operation in July 2003, the industrial segment is no longer the Group's focus, while the business of the manufacturing and trading of silicone rubber products has been severely affecting by the prolonged disputes and litigation with Golden Power Industries Limited, a disposed subsidiary of the Group. For the period under review, the business of silicone rubber was only running at a minimal level, turnover of which was approximately HK\$2.8 million (2004: HK\$10.2 million), representing a decrease in 72.5% and recorded an operating loss of HK\$10 million (2004: profit of HK\$0.35 million). As such, the Group has decided to discontinue the silicone rubber business to preserve resources for other suitable and value-added business or investments.

LIQUIDITY AND CAPITAL RESOURCES

Borrowings

As at 31 January 2005, the Group has total borrowings amounting to approximately HK\$119.3 million (2004: HK\$123.3 million), of which HK\$16 million representing the outstanding convertible notes bearing 1% interest issued on 1 November 2004, and the rest being the proportionate liabilities of CCNGCL. Among the liabilities of CCNGCL, approximately HK\$47 million representing a guarantee given by CCNGCL to a bank in connection with a loan granted to one of its jointly controlled natural gas company. The said bank loan is bearing a floating interest and due in year 2010. As at 31 January 2005, the Group's gearing ratio, measured on the basis of total current liabilities as a percentage of total shareholders' fund, was 34% as compared with 46% in the last financial year end. Save for the aforementioned bank loan and convertible notes, the Group has no bank loans, overdraft or other borrowings.

The convertible note in the principal amount of HK\$20,000,000 issued to Feishang Holdings Limited in January 2004 has been wholly redeemed by the Company in December 2004.

Capital Investment and Commitments

During the period under review, the Group has invested HK\$6 million for the acquisition of an information technology company which holds a protocol to provide solution/tool to automatically convert the contents of a web page for display in different wireless access protocol (WAP) enable products. HK\$21.3 million was invested in listed securities in Hong Kong, and HK\$20.5 million was utilised to redeem the convertible note issued to Feishang Holdings Limited.

Save for the possible acquisition of a majority stake in Shanghai Holdfast Science & Technology Co., Ltd. ("Shanghai Holdfast"), the Group did not incur or commit any material investment or capital expenditure during the period under review.

As at 31 January 2005, the Group maintained a cash and bank balances of approximately HK\$87.6 million, of which HK\$41.5 million represent the proportionate cash and bank balances of CCNGCL.

Capital Structure

During the period under review, the subscription rights attaching to 720,000,000 option shares were exercised at the subscription price of HK\$0.025 per share, resulting in an issue of 720,000,000 shares of HK\$0.025 each for a total cash consideration before expenses, of HK\$18,000,000.

On 5 October 2004, the Company entered into a subscription agreement with ICP Inc., a venture capital company in Japan, for the subscription by ICP Inc. of convertible note of the Company in an aggregate principal amount of US\$2,000,000 (approximately HK\$15,600,000). The convertible note was issued on 27 October 2004 and was fully converted into 624,000,000 shares of the Company at the conversion price of HK\$0.025 per share on 22 December 2004.

On 11 October 2004, the Company entered into a subscription agreement with each of Cross Profit Capital Limited and icoupon Limited for the subscription of convertible note of the Company in the principal amount of HK\$12,000,000 and HK\$5,000,000 respectively. The convertible notes were issued on 1 November 2004 and upon full conversion of the convertible note issued to icoupon Limited at a price of HK\$0.025 per share on 22 December 2004, 200,000,000 shares were issued. On the same date, the Company also entered into a placing agreement with Kingston Securities Limited in relation to the placing of the convertible notes in an aggregate principal amount of HK\$8,000,000 to independent investors. The convertible notes were issued on 1 November 2004 and the holders thereof have exercised their rights to convert the notes in the amount of HK\$4,000,000 into 160,000,000 shares.

In October 2004, the Company proposed a rights issue on the basis of two rights shares of HK\$0.025 each for every ten shares with bonus shares to be issued on the basis of three bonus shares for every two fully-paid rights shares ("Rights Issue"). The Rights Issue was completed in December 2004. As a result of the Rights Issue, a total of, including the bonus shares, 5,120,920,710 shares of the Company have been issued, and approximately a net proceed of HK\$50 million was accordingly raised.

On 22 December 2004, the Company entered into a placing agreement with Kingston Securities Limited for the placing of 1,000,000,000 new shares of HK\$0.025 each. The said placing of shares was completed in February 2005, and a net proceed of approximately HK\$24.7 million was raised.

In December 2004, the authorised share capital of the Company was increased from HK\$500,000,000 divided into 20,000,000,000 shares of HK\$0.025 to HK\$1,250,000,000 divided into 50,000,000,000 shares of HK\$0.025 by the creation of 30,000,000,000 shares of HK\$0.025. Subsequent to the balance sheet date, on 6 April 2005, the Capital Reorganisation became effective and the authorised share capital of the Company has been changed to HK\$1,250,000,000 divided into 125,000,000,000 shares of HK\$0.01 each.

In January and February 2005, the Company entered into (i) a conditional subscription agreement and a supplemental agreement respectively with Global Capital Management Inc to which the Company would issue convertible note in the principal amount of JPY290,000,000 (equivalent to HK\$21,750,000) at a conversion price of HK\$0.18 per share convertible into 120,833,333 new shares of HK\$0.01 each in the capital of the Company (after Capital Reorganisation becoming effective) (“GC Convertible Note”); and (ii) a conditional placing agreement and a supplemental agreement respectively with Kingston Securities Limited which would place, on a fully underwritten basis, to independent investors convertible notes in the principal amount of HK\$40,000,000 at a conversion price of HK\$0.18 per share convertible into 222,222,222 new shares of HK\$0.01 each in the capital of the Company (after Capital Reorganisation becoming effective) (“Underwritten Convertible Notes”).

As at 31 January 2005, the Group had total assets of approximately HK\$354.9 million (2004: HK\$381 million). Current assets were approximately HK\$197 million (2004: HK\$114.6 million), while current liabilities were approximately HK\$64 million (2004: HK\$88.6 million). As at the balance sheet date, the current ratio of the Group is 3.1 (2004: 1.3) and the quick ratio is 2.9 (2004:1.15)

Pledge of Assets

As at 31 January 2005, the Group has not pledged any of its assets.

Contingent Liability

As at 31 January 2005, save for the guarantee of HK\$47 million given by CCNGCL to a bank in connection with the loan facilities granted to one of the Group's natural gas company, the Group has no contingent liability.

Foreign exchange and interest rate exposure

As the Group's sales are mostly based on United States Dollar and Renminbi, and investments are mostly made in Hong Kong Dollar, having considered the exchange rate of the said currency is fairly stable, no foreign exchange and interest rate risk management or related hedges were made, proper policy will be in place when the Board considers appropriate.

Employees and Remuneration Policy

As at 31 January 2005, the Group, excluding CCNGCL, employed 37 full-time employees (2004: 285) of which 15 (2004: 254) were in China, and 22 (2004: 31) were in Hong Kong. CCNGCL employed 205 full-time employees (2004: 185). The staff costs for the period, excluding CCNGCL, amounted to approximately HK\$3.6 million. Remuneration package is reviewed annually with reference to the market trend and prevailing legislation. Discretionary bonuses are granted to certain employees of the Group. In China, the Group provides its employees with staff welfare in accordance with the prevailing labour law. Certain Directors and employees of the Group are entitled to medical insurance.

PROSPECTS

Since the joining of new management on board in September 2004, we have conducted extensive reviews on the Group's structure and business; as well as analysis on the Group's strength and weakness. The Group has been repositioned as a value-added technology and investments platform for high growth Japanese companies and investors to invest in China. Where the Group will prudently and strategically allied with the Japanese investors to co-invest in potential investments in China of large scale with a view that such potential investments will provide earnings potentials and growth to the Group. In this regard, the Company changed its name to "Nippon Asia Investments Holdings Limited" and adopted the Chinese name of "日本亞太事業投資有限公司" in December 2004 to strengthen the association of the Company with Japanese investors and signify the Company's intention to explore investment opportunities and participate in investments of larger scale.

In order to be well equipped for upcoming investments opportunities, a series of fund raising exercises have been carried out during the period under review and up to the date of this report, including the Rights Issue, issue of convertible notes and placing of new shares so as to strengthen the Group's financial position while the Capital Reorganisation could facilitate the fund raising exercises as well as the trading of the Company's shares.

On 20 October 2004, the Company entered into a memorandum of understanding ("MOU") in relation to a possible acquisition of a majority stake in Shanghai Holdfast, a company engaging in system integration, software development and solutions in Mainland China. The MOU is non-legally binding and as at the date of this report, the value of the business and the terms and conditions of the acquisition have been under negotiation and will soon be finalised. Given the expertise, business network, and solid client base of Shanghai Holdfast, we expect Shanghai Holdfast can act as a springboard for the Group to step in the China's IT and telecommunication industry and as a value-added platform for integration of any future related technology business or investments.

Looking forward, the Group will continue to focus on and develop its business and investments in China; we believe the economy of China will remain strong and continue to grow. Given the business connections and network with Japanese investors, we believe the Group, acting as an investments platform in China, will have competitive advantages, and the Board will leverage on its expertise and resources in both PRC and Japan markets to aggressively pursue expansion strategy.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 January 2005, the Directors and chief executive of the Company and their respective associates, if any, had the following interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code") were as follows:

Name of Director	Capacity	Nature of Interest	Number of Shares	Percentage of Issued Shares
Wong Kui Shing, Danny	Having an interest in a controlled corporation	Corporation	3,270,183,000	20.01
	Being a beneficial owner	Personal	23,100,000	0.14
			<u>3,293,283,000</u>	<u>20.15</u>

Note:

As at 31 January 2005, the 3,270,183,000 shares were held by Noble Islands Int'l Limited ("Noble Islands"). Of this number, 2,067,722,000 shares are charged with Kingston Finance Limited. The entire issued share capital of Noble Islands is held by Power Honest Holdings Limited ("Power Honest") which is in turn held by Mr Wong Kui Shing, Danny, a Director. Hence, each of Mr Wong Kui Shing, Danny and Power Honest is deemed to be interested in the 3,270,183,000 shares owned by Noble Islands. Other than the deemed interest of 3,270,183,000 shares, Mr Wong Kui Shing, Danny also has a personal interest of 23,100,000 shares and is aggregately interested in 3,293,283,000 shares.

Save as disclosed above, as at 31 January 2005, none of the Directors, chief executive or their associates had or were deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 January 2005, the following persons, other than the Directors or chief executive of the Company as disclosed aforesaid, had an interest of 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Capacity	Number of Shares	Percentage of Issued Shares
Noble Islands	1	Being a beneficial owner	3,270,183,000	20.01
Power Honest	1	Having an interest in a controlled corporation	3,270,183,000	20.01
Kingston Finance Limited	1, 2	Having a security interest	2,067,722,000	12.65
Kingston Securities Limited	3	Being a placing agent	3,222,222,222	19.71
Chu Yuet Wah	1, 2, 3, 4	Having an interest in a controlled corporation	5,289,944,222	32.36
Ma Siu Fong	1, 2, 3, 4	Having an interest in a controlled corporation	5,289,944,222	32.36
Global Capital Management Inc	5	Being a beneficial owner	1,208,333,333	7.39
Hikari Power Limited	5	Having an interest in a controlled corporation	1,208,333,333	7.39
Shigeta Yasumitsu	5	Having an interest in a controlled corporation	1,208,333,333	7.39

Notes:

1. Out of the 3,270,183,000 shares held by Noble Islands, 2,067,722,000 shares are charged with Kingston Finance Limited. The entire issued share capital of Noble Islands is held by Power Honest which is in turn held by Mr Wong Kui Shing, Danny, a Director. Hence, each of Mr Wong Kui Shing, Danny and Power Honest is deemed to be interested in the 3,270,183,000 shares owned by Noble Islands. Other than the deemed interest of 3,270,183,000 shares, Mr Wong Kui Shing, Danny also has a personal interest of 23,100,000 shares and accordingly, is aggregately interested in 3,293,283,000 shares.

Subsequent to the balance sheet date, upon the Capital Reorganisation becoming effective, the number of shares held by Noble Islands and Mr Wong are 327,018,300 and 2,310,000 respectively representing approximately 18.85% and 0.13% of the issued shares respectively as at the date of this report.

2. Kingston Finance Limited has a security interest in the 2,067,722,000 shares owned by Noble Islands, which relate to the same block of shares held by Noble Islands as mentioned in Note 1 above.

After the Capital Reorganisation became effective on 6 April 2005, the above security interest amounts to 206,772,200 shares representing 11.92% of the issued shares at the date of this report.

3. As at 31 January 2005, Kingston Securities Limited, as the placing agent, was interested in 3,222,222,222 shares which comprise of (i) the derivative of 1,000,000,000 shares pursuant to the placing agreement dated 22 December 2004 made with the Company in respect of the placing of 1,000,000,000 new shares at HK\$0.025 per placing share; and (ii) the derivative of 2,222,222,222 shares pursuant to the placing agreement dated 28 January 2005 made with the Company in respect of the placing of Underwritten Convertible Notes in the principal amount of HK\$40,000,000.

Subsequent to the balance sheet date, the said placing of 1,000,000,000 shares was completed and therefore, Kingston Securities Limited ceased to have interest therein. In addition, pursuant to the supplement a agreement dated 4 February 2005 to the aforesaid placing agreement and based on the conversion price of HK\$0.18 (after taking into account of the Capital Reorganisation), the number of the relevant derivative interested by Kingston Securities Limited amounts to 222,222,222 shares which represent 12.81% of the issued shares as at the date of this report.

4. Ms Chu Yuet Wah and Ms Ma Siu Fong are controlling shareholders of Kingston Finance Limited and Kingston Securities Limited. Each of Ms Chu and Ms Ma is deemed to be interested in the 2,067,722,000 shares interested by Kingston Finance Limited and the derivative of 3,222,222,222 shares interested by Kingston Securities Limited as mentioned in Notes 2 and 3 above.

As stated in Note 3 above, subsequent to the balance sheet date, each of Ms Chu and Ms Ma is deemed to have the security interest of 206,772,200 shares (after taking into account of the Capital Reorganisation) held by Kingston Securities Limited and the derivative interest of 222,222,222 shares held by Kingston Finance Limited.

5. As at 31 January 2005, Global Capital Management Inc was interested in the derivative of 1,208,333,333 shares pursuant to the subscription agreement dated 26 January 2005 made with the Company in respect of GC Convertible Note in the principal amount of JPY290,000,000 (equivalent to HK\$21,750,000). The entire issued share capital of Global Capital Management Inc is held by Hikari Power Limited which is in turn held by Mr Shigeta Yasumitsu. Hence, each of Global Capital Management Inc, Hikari Power Limited and Mr Shigeta Yasumitsu is deemed to be interested in the said derivative.

Subsequent to the balance sheet date, pursuant to the supplemental agreement dated 4 February 2005 to the aforesaid subscription agreement and based on the conversion price of HK\$0.18 (after taking into account of Capital Reorganisation), the number of the relevant derivative interested by Global Capital Management Inc. and its beneficial owners amounts to 120,833,333 shares, representing 6.97% of the issued shares at the date of this report.

Save as disclosed aforesaid, the Directors are not aware of any person, other than the Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 January 2005.

SHARE OPTION SCHEME

The Company adopted a new share option scheme on 31 January 2002 (the “Scheme”) and refreshed its 10% limit on the grant of options on 14 August 2002 and 9 June 2004. Pursuant to the Scheme, the Board may at its discretion offer options to any eligible participant who is an employee, executive or officer of the Company or its subsidiaries (including executive and non-executive directors of the Company or its subsidiaries) and any suppliers, consultants or advisers who will provide or have provided services to the Company or its subsidiaries.

Movements in the Company’s share option during the period are as follows:

Category of Participant	Date of Grant	Exercise Price per Share	Exercise Period	Closing Price Before Date of Grant	Movement of Option Shares during the period				
					As at 1.8.2004	Granted	Exercised	Lapsed	As at 31.1.2005
		HK\$		HK\$					
		(Note 1)		(Note 2)					(Note 3)
(i) Employees	06.01.2003	0.0856	01.02.2003 – 31.01.2005	0.092	7,000,000	-	-	-	7,000,000
	06.01.2003	0.0856	01.07.2003 – 30.06.2005	0.092	24,800,000	-	-	-	24,800,000
(ii) Consultants	28.04.2004	0.0300	29.04.2004 – 11.05.2005	0.022	360,000,000	-	-	-	360,000,000
	17.09.2004	0.0250	20.09.2004 – 16.09.2005	0.017	-	720,000,000	720,000,000	-	-
(iii) Former Employees	06.01.2003	0.0856	01.02.2003 – 31.01.2005	0.092	4,000,000	-	-	4,000,000	-
	06.01.2003	0.0856	01.07.2003 – 30.06.2005	0.092	10,200,000	-	-	10,200,000	-
					406,000,000	720,000,000	720,000,000	14,200,000	391,800,000

Notes:

- (1) The exercise prices of HK\$0.0856 per share and HK\$0.03 per share were adjusted to HK\$0.0604 per share and HK\$0.025 per share respectively as a result of the Rights Issue completed in December 2004. Subsequent to the balance sheet date and upon the Capital Reorganisation becoming effective on 6 April 2005, the exercise prices of HK\$0.0604 per share and HK\$0.025 per share were adjusted to HK\$0.604 and HK\$0.25 respectively.
- (2) The closing prices were recorded immediately before the date of grant, without taking effect of the Rights Issue.
- (3) Subsequent to the balance sheet date and upon the Capital Reorganisation becoming effective on 6 April 2005, the options in respect of 9,200,000 shares lapsed and the outstanding options in respect of a total of 382,600,000 shares were adjusted to 38,260,000 shares.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted, because in the absence of a readily market value of the share options of the Company, the Directors were unable to arrive at an assessment of the value of these share options.

AUDIT COMMITTEE

In accordance with the Code of Best Practice as set out in the then effective Appendix 14 to the Listing Rules, the Board of Directors established an audit committee ("Audit Committee") in 1998. The Audit Committee, consisting of the three Independent Non-executive Directors of the Company, reviews and supervises the Group's financial reporting and internal control systems.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the financial reporting matters including a review of the unaudited interim accounts for the six months ended 31 January 2005.

CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules, for any part of the accounting period covered by this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code for securities transactions by Directors. Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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 31 January 2005.

By Order of the Board
Nippon Asia Investments Holdings Limited
Wong Kui Shing, Danny
Chairman

Hong Kong, 27 April 2005