Teem Foundation Group Ltd.
浩基集團有限公司*

(incorporated in Bermuda with limited liability)

2005
INTERIM REPORT

* For identification purposes only

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 2005 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	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**10,645**	33,485
Cost of sales		**(9,551)**	(30,175)
Gross profit		**1,094**	3,310
Other revenue and gain	*3*	**137**	137
Administrative expenses		**(3,871)**	(6,141)
Other expenses, net		**(627)**	(1,249)
Finance costs	*4*	**(12)**	(143)
Loss before tax	*5*	**(3,279)**	(4,086)
Tax	*6*	**–**	–
Loss for the period		**(3,279)**	(4,086)
Dividend	*8*	**–**	–
Loss per share	*7*		
Basic		**(0.49 cents)**	(0.61 cents)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**As at 30th September 2005 (Unaudited) *HK$'000***	As at 31st March 2005 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**883**	1,248
Prepaid land premiums		**10,595**	–
Goodwill		**8,536**	8,536
		20,014	9,784
CURRENT ASSETS			
Accounts receivable	*9*	**–**	12,749
Prepayments, deposits and other receivables		**25,536**	25,279
Short term investments		**6,396**	5,076
Tax recoverable		**1,656**	1,656
Cash and bank balances		**7,791**	11,478
		41,379	56,238
CURRENT LIABILITIES			
Accounts payable	*10*	**894**	1,680
Other payables and accruals		**3,092**	3,454
Interest-bearing bank loan, secured	*11*	**265**	400
		4,251	5,534
NET CURRENT ASSETS		**37,128**	50,704
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,142**	60,488
NON-CURRENT LIABILITIES			
Interest-bearing bank loan, secured	*11*	**–**	67
		57,142	60,421
CAPITAL AND RESERVES			
Issued capital	*12*	**67,200**	67,200
Reserves		**(10,058)**	(6,779)
		57,142	60,421

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) *HK$'000*	Contributed surplus (Unaudited) *HK$'000*	Accumulated losses (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1st April 2005	67,200	20,607	(27,386)	60,421
Net loss for the period	–	–	(3,279)	(3,279)
At 30th September 2005	67,200	20,607	(30,665)	57,142
At 1st April 2004	67,200	20,607	(15,783)	72,024
Net loss for the period	–	–	(4,086)	(4,086)
At 30th September 2004	67,200	20,607	(19,869)	67,938

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**7,110**	(8,418)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**(10,595)**	932
NET CASH USED IN FINANCING ACTIVITIES	**(202)**	(182)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,687)**	(7,668)
Cash and cash equivalents at the beginning of period	**11,478**	24,064
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,791**	16,396
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**7,791**	16,396

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 37, 38, 39, 40, HKFRS 2, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the HKFRSs is summarised as follows:

HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Accordingly, the Group recorded no goodwill amortization for the period (2004: HK$1,249,000). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1st April 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and no restatement of comparative amounts.

2. TURNOVER 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 provided. 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:

(a) the construction segment provides and installs of fire-rated timber door sets, as well as provides interior decoration and renovation services and other carpentry works;

(b) the timber segment engages in trading of timber logs; and

(c) the corporate segment included general corporate income and expense items.

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

Business segmentation analysis is presented as shown below.

	30th September 2005			
	Construction (Unaudited) *HK$'000*	**Trading of timber (Unaudited)** *HK$'000*	**Corporate (Unaudited)** *HK$'000*	**Consolidated (Unaudited)** *HK$'000*
Turnover	**106**	**10,539**	**–**	**10,645**
Segment Results	**305**	**272**	**(3,981)**	**(3,404)**
Unallocated other operating income				**137**
Finance costs				**(12)**
Loss before tax				**(3,279)**
Tax				**–**
Loss for the period				**(3,279)**

	30th September 2004			
	Construction (Unaudited) *HK$'000*	Trading of timber (Unaudited) *HK$'000*	Corporate (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Turnover	387	33,098	–	33,485
Segment Results	88	1,189	(5,357)	(4,080)
Unallocated other operating income				137
Finance costs				(143)
Loss before tax				(4,086)
Tax				–
Loss for the period				(4,086)

Geographical segmentation analysis is presented as shown below.

	Turnover For the six months ended		Segment results For the six months ended	
	30.9.2005 (Unaudited) *HK$'000*	30.9.2004 (Unaudited) *HK$'000*	**30.9.2005 (Unaudited) *HK$'000***	30.9.2004 (Unaudited) *HK$'000*
Hong Kong	**106**	387	**(3,676)**	(5,269)
The People's Republic of China excluding Hong Kong	**–**	33,098	**–**	1,189
United States of America	**10,539**	–	**272**	–
	10,645	33,485	**(3,404)**	(4,080)
Unallocated other operating income			**137**	137
Finance costs			**(12)**	(143)
Loss before tax			**(3,279)**	(4,086)
Tax			**–**	–
Loss for the period			**(3,279)**	(4,086)

3. OTHER REVENUE AND GAIN

	For the six months ended 30th September	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Other revenue		
Interest income	**2**	–
Dividend income from listed investments	**11**	–
Others	**–**	137
	13	137
Gain		
Gain on disposal of listed investments	**124**	–
	137	137

4. FINANCE COSTS

	For the six months ended 30th September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on a bank loan	**12**	–
Interest on hire purchase contracts	**–**	143

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30th September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**365**	1,645
Amortisation of goodwill*	**–**	1,249
Write-back of bad and doubtful debt provisions*	**(201)**	–

* *The amortisation of goodwill and write-back of bad and doubtful debt provisions are included in "Other expenses, net" on the face of the consolidated profit and loss account.*

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2004: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period for the six months period ended 30th September 2005 of approximately HK$3,279,000 (2004: HK$4,086,000), and the weighted average of 672,000,000 (2004: 672,000,000) ordinary shares in issue during the period.

Diluted loss per share amounts for the six months ended 30th September 2004 and 2005 have not been disclosed as there were no dilutive potential ordinary shares outstanding during these periods.

8. DIVIDEND

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

9. ACCOUNTS RECEIVABLE

An aged analysis of accounts receivable is as follows:

	As at 30th September 2005 (Unaudited) ***HK$'000***	As at 31st March 2005 (Audited) *HK$'000*
Current – 90 days	**–**	–
91 days – 180 days	**–**	–
181 days – 365 days	**–**	–
Over 365 days	**–**	12,071
	–	12,071
Retention monies receivable	**–**	678
	–	12,749

10. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

	As at 30th September 2005 (Unaudited) ***HK$'000***	As at 31st March 2005 (Audited) *HK$'000*
Current – 90 days	**–**	–
91 days – 180 days	**–**	–
181 days – 365 days	**–**	–
Over 365 days	**–**	786
	–	786
Retention monies payable	**894**	894
	894	1,680

11. INTEREST – BEARING BANK LOAN, SECURED

	As at 30th September 2005 (Unaudited) ***HK$'000***	As at 31st March 2005 (Audited) *HK$'000*
Bank loan repayable		
Within one year	**265**	400
In the second year	**–**	67
	265	467
Portion classified as current liabilities	**(265)**	(400)
Long term portion	**–**	67

12. SHARE CAPITAL

	As at 30th September 2005 (Unaudited) ***HK$'000***	As at 31st March 2005 (Audited) *HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
672,000,000 ordinary shares of HK$0.1 each	**67,200**	67,200

13. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30th September 2005, the Group had provided corporate guarantee of HK$2.5 million (31st March 2005: HK$3.4 million) to banks in connection with hire purchase contracts granted to certain subsidiaries disposed of in last financial year.

The Group has no significant commitments as at 30th September 2005.

14. OPERATING LEASE ARRANGEMENTS

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

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30th September 2005 (Unaudited) ***HK$'000***	As at 31st March 2005 (Audited) *HK$'000*
Within one year	**–**	399

15. APPROVAL OF INTERIM REPORT

These interim financial statements were approved and authorised for issue by the Board on 22nd December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

For the six months ended 30th September 2005, the Group recorded a turnover of HK$10.6 million (2004: HK$33.5 million) and a net loss of HK$3.3 million (2004: HK$4.1 million). The reduction in loss was mainly due to the reduction of administrative expenses and the reduction in amortization of goodwill due to the new adoption of HKFRS 3 and HKAS 36.

The reduction in turnover was a result of the Group's move in reconsidering the appropriate strategy with respect to the trading of timber industry. During the period under review, the Group had been asked to:

(a) pay a higher unit price over the logs in view of the increasing production cost, i.e. cost of diesels, cost of repair & maintenance of trucks, etc.;

(b) increase the number of personnel to be posted to the forest so as to monitor the logs supply; and

(c) provide a larger amount of deposits to finance the supplier's operation due to over-trimming of logs and the construction of roads leading to the inner part of the forest for trimming.

While pending the negotiation with the supplier, the Group has decided to adopt the following measures:

(a) authorizing the supplier to sell the logs to third parties directly for them to get a higher pre-financing fund; and

(b) fastening the process of evaluating other available forests so as to understand better the industry, to diversify the risk of over-reliance over one forest and to spread the overhead cost required for monitoring the process and for supporting the operation if those projects are viable.

The Group has evaluated various forests in both the People's Republic of China ("PRC") and other countries in Africa and has got a better understanding of the different species grown in different forests (and for different products/markets). After due and careful consideration, the Company has decided to play down the role to a case by case basis and restricted only to a pure trading role only.

As such, the Group has reduced the headcount and all workforce in overseas has returned.

Moreover, the Group would also consider the selling back of the trading company currently owned by the Group to the original owner and negotiation is underway. The Board believes that any proceeds from such disposal would above the amount of unamortised goodwill and therefore considers no impairment provision to the unamortised goodwill for the time being.

Meanwhile, the Group is still in discussion with the supplier for the refund of the deposits. As it is currently the rainy season in the Republic of Congo in Western Africa, the supplier has additional funding requirement during the end of each year (such as payment of government fees, etc.), therefore, it is preliminary agreed by the supplier that the deposits would be repaid to the Group by February or March 2006 should mass production be resumed.

FUTURE PROSPECT

As mentioned above, while the Board has evaluated a number of projects, it seems that the Group may or may not have sufficient expertise to handle the operation of such projects effectively and efficiently. As such, the Board would like to adopt a more prudent policy in not making a too aggressive move.

The above is further reinforced by the unexpected surge in the oil price during the period under review, the continuous increase in discount rate in the United States and the corresponding increase in the prime rate or the interbank offered rate by banks in Hong Kong, such factors may have a possible negative impact on the growth in the Hong Kong economy.

The austerity measures imposed by the central government of the PRC to slow down the increase of property prices have rendered the outlook of various industries, in particular, the construction field in the PRC uncertain. As such, the demand for logs for construction or production of furniture in the PRC may decrease; thereby, exerting pressure on both the demand and the selling price of the Okoume. The Board does not want to over-commit itself to the forestry industry for the time being, pending a clearer outlook/view over the prospective demand.

Parting with surplus cash on hand, the Board, hence, has taken the moves of investing in the piece of land in Tuen Mun and effected some listed shares investment during the period under review while preserving the remaining cash for appropriate investment opportunities.

Nevertheless, the Board is confident over the future of the Company and will seek opportunities in the Greater China region under the following criterion:

(a) industry with positive growth relative to the overall market and/or with less intervention by the government, and

(b) industries or projects that the Company can have synergy effect or at least can make use of the expertise of the personnel available, in particular the expertise of and contribution by the Board.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a healthy balance sheet. During the period under review, the Group had disposed off the non-core fixed assets so as to preserve the cash and to avoid unnecessary expenses. Additionally, the Group had recovered from the long “overdue” account receivables which had been received by the Group. On the other hand, as mentioned in the annual financial statements for the year ended 31st March 2005, the Group has invested in a piece of land in Tuen Mun in anticipation of the properties boom in Hong Kong. The Group generated net cash inflow from operating activities of approximately HK$7.1 million and net cash outflow of approximately HK$10.6 million for the acquisition of a piece of land in Tuen Mun for the six-month ended 30th September 2005 and maintained cash and bank balances of HK$7.8 million (31st March 2005: HK$11.5 million). Including the readily marketable short term investment of HK$6.4 million, the available liquid assets (cash and bank balances plus the short term investments) of HK$14.2 million is comparable to HK$16.6 million at 31st March 2005. The Board believed that the Group maintained sufficient working capital for its operation.

Liabilities, in form of short term nature of accounts payable or hire purchase payables, had been substantially repaid, leaving a total liability of only HK$4.3 million. Correspondingly, the gearing ratio, represented by total debt to equity stood low at 0.5% (31st March 2005: 0.8%). In fact, the Group is at a net cash position of HK$3.5 million after using the cash to apply to charge off all debts as at 30th September 2005.

The Group has a net current asset of HK$37.1 million (31st March 2005: HK$50.7 million) as at 30th September 2005. The current ratio, calculated on the basis of current assets divided by current liabilities, of the Group as at 30th September 2005 was 9.7 (31st March 2005: 10.2).

As the majority of the inflow and outflow are both denominated in Hong Kong dollars and the United States Dollars whereby the Hong Kong dollars is pegged to the United Stated Dollars, the Group has not adopted any hedging policy.

As at 30th September 2005, the Group had provided corporate guarantee of HK$2.5 million (31st March 2005: HK$3.4 million) to banks in connection with hire purchase contracts granted to certain subsidiaries disposed of in last financial year.

The Group’s bank loan is secured by the pledge of the Group’s motor vehicle with a net book value of HK$0.4 million as at 30th September 2005.

The Group had no significant capital commitment as at 30th September 2005.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September 2005, the Group had a total of 8 employees (2004: 26). Total staff cost of the Group paid during the period was approximately HK$1.9 million (2004: HK$2.7 million). Staff remuneration packages are in line with prevailing market practice and are determined on the basis of the performance and experience of individual employee. Other staff benefits provided by the Group include mandatory provident fund and medical insurance schemes.

INTERIM DIVIDEND

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30th September 2005, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company

Name of director	*Note*	**Number of shares held through controlled corporation**	**Percentage of the Company's issued share capital**
Mr. Yeung Tony Ming Kwong	*1*	369,600,000	55
Mr. Tang Hin Keung, Alfred	*2*	134,400,000	20
Mr. Pun Yuen Sang	*2*	134,400,000	20

Notes:

1. Mr. Yeung Tony Ming Kwong is interested in these shares through Smart Town Holdings Limited, a company which is 50% and 50% beneficially owned by Mr. Yeung Tony Ming Kwong and Mr. Liu Ching Hua, respectively.

2. 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.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares of the Company or any of its associated corporations that was required to the recorded pursuant to Section 352 of the SFO, or as otherwise to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

The Share Option Scheme ("Scheme") was adopted by the Company pursuant to a written resolution of all shareholders of the Company dated 6th July 2002. During the six months ended 30th September 2005, no share option had been granted by the Company under the Scheme.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30th September 2005, the following interests and underlying shares of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

Name	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Smart Town Holdings Limited	*1*	Directly beneficially owned	369,600,000	55.00
Mr. Liu Ching Hua	*1*	Through a corporation	369,600,000	55.00
Pan-Star Nominees Limited	*2*	Directly beneficially owned	134,400,000	20.00
Mr. Wei Ming	*2*	Through a corporation	134,400,000	20.00

Notes

(1) The ordinary shares are held by Smart Town Holdings Limited, which is 50% and 50% beneficially owned by Mr. Yeung Tony Ming Kwong and Mr. Liu Ching Hua, respectively.

(2) The ordinary shares are held by Pan Star Nominees Limited, which is 40%, 30% and 30% beneficially owned by Mr. Wei Ming, Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang, respectively.

Save as disclosed above, as at 30th September 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and underlying shares" above had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 2005.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") during the period under review, except for the following deviation:

Code Provision A.2.1

Code A.2.1 of CG Code provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the period under review, there was no position of Chief Executive Officer in the Company. However, Mr. Lum Chor Wah, Richard has been assuming the roles of both the Chairman and Chief Executive Officer of the Company. For the time being, the Board intends to maintain this structure as it believes that it would take time to segregate the duties of the two positions and in order to cause minimum disruption to the smooth running of the businesses of the Company. Nonetheless, the Board would review and monitor the situation on a regular basis and would take the necessary actions in due course to comply with this Code requirement.

Code A.4.1 of CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. Mr. Leung Chi Hung, Mr. Tsui Robert Che Kong and Mr. Lam Allan Shu Cheuk, being the Company's independent non-executive Director, were not appointed for a specific term but 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as its own code of conduct regarding securities transactions by the Directors ("Code"). Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Code for the six months ended 30th September 2005.

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 three independent non-executive directors of the Company, namely Mr. Leung Chi Hung (Chairman), Mr. Tsui Robert Che Kwong and Mr. Lam Allan Shu Cheuk.

REMUNERATION COMMITTEE

A remuneration committee was established in November 2005 and comprises Mr. Tsui Robert Che Kwong (Chairman), Mr. Leung Chi Hung and Mr. Pun Yuen Sang. Mr. Tsui Robert Che Kwong and Mr. Leung Chi Hung are independent non-executive directors of the Company and Mr. Pun Yuen Sang is an executive director of the Company. The duties of the remuneration committee include, inter alia, the determination of remuneration of directors of the Company and senior management and review of the remuneration policy of the Group.

NOMINATION COMMITTEE

A nomination committee was established in November 2005 and comprises Mr. Tsui Robert Che Kwong (Chairman), Mr. Leung Chi Hung and Mr. Pun Yuen Sang. Mr. Tsui Robert Che Kwong and Mr. Leung Chi Hung are independent non-executive directors of the Company and Mr. Pun Yuen Sang is an executive director of the Company. The duties of the nomination committee include, inter alia, review the structure, size and composition of the Board from time to time and making recommendations to the Board on the appointment and re-appointment of directors of the Company.

APPRECIATION

For his personal reason, Mr. Yeung Tony Ming Kwong had resigned as a director of the Company with effect on 30th November 2005. Mr. Yeung has confirmed that he did not have any dispute with the Company and there was no matter relating to his resignation which needed to be disclosed to the shareholders. We would like to take the opportunity to thank Mr. Yeung for his devotion to the Company during his term. Meanwhile, we sincerely thank our fellow directors, shareholders, customers, business partners and banks for their support and also all the staff for their commitments and efforts during the period.

By order of the Board
Lum Chor Wah, Richard
Chairman

Hong Kong, 22nd December 2005