



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

2004 INTERIM REPORT

UNAUDITED INTERIM RESULTS

The Directors of South China Holdings Limited (the “Company”) announce that the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2004 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2004	2003
		Unaudited	Unaudited
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	1,560,588	1,330,234
Cost of sales		(1,370,113)	(1,150,562)
Gross profit		190,475	179,672
Other operating income (including interest income)		8,086	9,342
Distribution costs		(34,768)	(37,022)
Administrative and operating expenses		(165,217)	(171,634)
Gain on disposal of non-trading securities		235	3,076
Impairment of non-trading securities written back (made)		25,325	(2,771)
Unrealised holding loss of trading securities		(7,456)	(3,010)
Surplus (Deficit) on revaluation of investment properties		11,000	(25,128)
Gain arising from changes in fair value of fruit trees		—	6,000
Profit (Loss) from operations	2&3	27,680	(41,475)
Finance costs		(4,484)	(5,250)
Share of results of associates		(3,831)	(6,436)
Profit (Loss) before taxation		19,365	(53,161)
Income tax (expense) credit	4		
Company and subsidiaries		(898)	(495)
Associate		393	2,021
Profit (Loss) before minority interests		18,860	(51,635)
Minority interests		(7,495)	24,209
Profit (Loss) attributable to shareholders		11,365	(27,426)
Basic earnings (loss) per share	6	HK0.62 cent	(HK1.50 cent)

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2004 <i>Unaudited</i> HK\$'000	31 December 2003 <i>Audited</i> HK\$'000
	Notes		
NON-CURRENT ASSETS			
Biological assets		68,000	68,000
Property, plant and equipment		327,457	337,890
Investment properties		274,092	247,390
Land pending development		41,362	41,362
Interests in associates	7	346,515	352,303
Loans and advances receivables		4,090	3,404
Non-trading securities		92,358	65,835
Goodwill		9,280	4,993
Negative goodwill		(15,338)	(1,114)
Other non-current assets		46,448	46,470
		<u>1,194,264</u>	<u>1,166,533</u>
CURRENT ASSETS			
Inventories		374,181	271,479
Properties held for sale		19,221	19,221
Trading securities		80,874	60,814
Trade and other receivables	8	501,068	439,573
Loans and advances receivables		174,378	189,297
Amount due from related companies		505	16
Bank balances and cash	9	367,035	477,089
		<u>1,517,262</u>	<u>1,457,489</u>
CURRENT LIABILITIES			
Client deposits		204,632	246,533
Trade and other payables	10	655,999	652,258
Bank and other borrowings - due within one year		482,604	336,430
Obligations under finance leases		10,441	5,921
Amount due to related companies		1,032	1,536
Taxation payable		7,870	8,657
Final dividend payable		10,029	—
		<u>1,372,607</u>	<u>1,251,335</u>
Net current assets		<u>144,655</u>	<u>206,154</u>
Total assets less current liabilities		<u>1,338,919</u>	<u>1,372,687</u>
CAPITAL AND RESERVES			
Share capital and share premium		298,818	298,818
Other reserves		166,989	166,294
Retained earnings		293,251	292,096
		<u>759,058</u>	<u>757,208</u>
MINORITY INTERESTS		<u>450,983</u>	<u>478,470</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		90,529	102,165
Obligations under finance leases		11,700	8,933
Advances from minority shareholders		25,158	25,158
Deferred tax liabilities		1,491	753
		<u>128,878</u>	<u>137,009</u>
		<u>1,338,919</u>	<u>1,372,687</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium <i>Unaudited</i> <i>HK\$'000</i>	Other reserves <i>Unaudited</i> <i>HK\$'000</i>	Retained earnings <i>Unaudited</i> <i>HK\$'000</i>	Total <i>Unaudited</i> <i>HK\$'000</i>
At 1 January 2004	298,818	166,294	292,096	757,208
Final dividend proposed	—	—	(10,029)	(10,029)
Profit attributable to shareholders	—	—	11,365	11,365
Changes in fair value of non-trading securities	—	516	—	516
Transfer to statutory reserves	—	181	(181)	—
Translation adjustments	—	(2)	—	(2)
At 30 June 2004	<u>298,818</u>	<u>166,989</u>	<u>293,251</u>	<u>759,058</u>
At 1 January 2003	298,818	173,408	199,059	671,285
Loss attributable to shareholders	—	—	(27,426)	(27,426)
Changes in fair value of non-trading securities	—	12	—	12
Impairment of land and buildings	—	(5,925)	—	(5,925)
Transfer to statutory reserves	—	345	(345)	—
Translation adjustments	—	(274)	—	(274)
At 30 June 2003	<u>298,818</u>	<u>167,566</u>	<u>171,288</u>	<u>637,672</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2004 <i>Unaudited</i> <i>HK\$'000</i>	2003 <i>Unaudited</i> <i>HK\$'000</i>
Net cash used in operating activities	(117,776)	(85,730)
Net cash (used in) from investing activities	(18,346)	17,952
Net cash from financing activities	<u>102,544</u>	<u>12,058</u>
Net decrease in cash and cash equivalents	(33,578)	(55,720)
Cash and cash equivalents at beginning of period	<u>125,050</u>	<u>98,719</u>
Cash and cash equivalents at end of period	<u>91,472</u>	<u>42,999</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash - general account balances	158,842	124,761
Bank overdrafts	<u>(67,370)</u>	<u>(81,762)</u>
	<u>91,472</u>	<u>42,999</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

1. Accounting policies

The unaudited condensed interim financial statements ("interim financial statements") have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited and the compliance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements should be read in conjunction with the 2003 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2003.

2. Turnover and segmental information

An analysis of the Group's consolidated turnover and contribution to profit (loss) from operations by principal activity and geographical location for the six months ended 30 June 2004 and 2003 is as follows:

	Turnover		Contribution to profit (loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
By principal activity:				
Trading and manufacturing	672,007	761,160	(5,591)	6,880
Securities and financial services	66,684	49,393	8,085	(8,106)
Travel and related services	718,305	407,589	8,708	(682)
Property investment and development	6,680	6,679	16,855	(19,645)
Media and publications	79,388	77,193	(8,973)	(8,456)
Information and technology	16,862	24,785	(3,275)	(3,998)
Agriculture	652	3,341	(3,648)	3,724
Investment holding	10	94	15,519	(11,192)
	<u>1,560,588</u>	<u>1,330,234</u>	<u>27,680</u>	<u>(41,475)</u>
By geographical location*:				
The People's Republic of China and Hong Kong	946,952	659,690	46,556	(29,315)
United States of America	397,292	443,071	(12,777)	(6,988)
Europe	168,109	184,327	(5,042)	(4,274)
Japan	2,382	11,518	(95)	(171)
Others	45,853	31,628	(962)	(727)
	<u>1,560,588</u>	<u>1,330,234</u>	<u>27,680</u>	<u>(41,475)</u>

* Turnover by geographical location is determined on the basis of the location where merchandise is delivered and/or service is rendered.

3. Depreciation

Profit (Loss) from operations for the period is arrived at after charging depreciation of approximately HK\$26,077,000 (six months ended 30 June 2003: HK\$27,334,000) in respect of the Group's property, plant and equipment.

4. Taxation

Hong Kong profits tax was provided at the rate of 17.5% (six months ended 30 June 2003: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profits at rates of taxation prevailing in the countries in which the Group operates.

5. Interim dividend

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

6. Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit attributable to shareholders of approximately HK\$11,365,000 (six months ended 30 June 2003: loss of HK\$27,426,000) and on approximately 1,823,401,000 shares (six months ended 30 June 2003: 1,823,401,000 shares) in issue during the period.

Diluted earnings (loss) per share is not shown, as there is no dilution effect for both periods.

7. Interests in associates

The amounts included advances to an affiliated company indirectly held by the Company and details are as follows :

Name of affiliated company	Proportion of issued capital held indirectly by the Company	Advances from the Group as at 30 June 2004 HK\$'000	Guarantees given by the Group HK\$'000
Firm Wise Investment Limited ("FWIL") (note)	30%	292,182	174,000

Note: The advances and guarantees given were used to finance a property development project in Hong Kong. The advances are unsecured, interest bearing at 0.5% per annum, repayable on demand and subordinated to the bank loans of the affiliated company. The guarantees given is to be matured in August 2008 of which approximately HK\$144,266,000 were utilized as at 30 June 2004.

The following details have been extracted from the unaudited financial statements of the Group's significant associate, FWIL, adjusted for the fair value of the investment property as at 31 December 2003 based on the valuation performed by an independent professional qualified valuer:-

	As at 30 June 2004 HK\$'000
Non-current assets	1,250,128
Current assets	15,550
Current liabilities	(74,779)
Non-current liabilities	(463,748)
	727,151
Attributable interest held by the Group	218,145

8. Trade receivables

Trade receivables of approximately HK\$349,487,000 (31 December 2003: HK\$342,818,000) are stated net of provision for bad and doubtful debts, substantially with an aging within 6 months.

9. Bank balances and cash

Approximately HK\$13,950,000 (31 December 2003: HK\$13,400,000) of bank deposits were pledged for the banking facilities granted to the Group.

The bank balances included an amount of approximately HK\$194,243,000 (31 December 2003: HK\$275,064,000) held on behalf of clients of securities and commodities broking business.

10. Trade payables

Trade payables of approximately HK\$500,693,000 (31 December 2003: HK\$518,051,000) are substantially with an aging within 6 months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With the rebound in the local economy and the reviving global market conditions, the Group achieved satisfactory growth in both turnover and profit for the first half of 2004. The Group recorded turnover of HK\$1.6 billion and profit attributable to shareholders of HK\$11.4 million, respectively representing a 17.3% increase in turnover and a turnaround in result as compared to the corresponding period in the last year. During the period, significant improvement of our travel business and the recovery of the securities and property prices attributed to the growth in profit.

Gross profit margin however declined slightly due to the substantial rise in raw material costs for the manufacturing businesses and the relatively low profit margin pattern of the travel business. The surging oil prices pushed up the direct material costs, in particular plastic for our toy manufacturing business. Distribution and administrative expenses were further reduced by our continuing efforts in bringing down costs at the operating level which helped to offset the adverse impacts from rising material prices in the current period.

The Group's two core subsidiaries, South China Industries Limited ("SCI") and South China Brokerage Company Limited ("SCB"), both reported satisfactory profits for the period.

Trading and Manufacturing

Wah Shing International Holdings Limited ("Wah Shing") reported an interim turnover of HK\$635 million as compared with last year's first half turnover of HK\$687 million. The performance in the US economy was the major contributing factor to our decrease in turnover. Over this period, despite Wah Shing continuing to improve operating efficiencies, our operating margins suffered from rising material costs as a result of increased oil prices.

The trading and manufacturing of leather shoes products continued to make positive contributions to the Group, while other leather products and garments operations improved though not yet profitable.

Likewise, the Group's associate, Nority International Group Limited ("Nority") engaging in manufacturing of athletic and leisure footwear, was also adversely affected by the surging price of raw materials. This coupled with fierce competition within the industry and falling unit price of shoe products accounted for its declining turnover and operating loss for the period.

Securities and Financial Services

For the period under review, SCB's turnover increased by 36% to HK\$68.5 million and it reported a net profit of HK\$21.4 million.

The average stock market daily turnover increased from HK\$6.95 billion for the first half of 2003 to HK\$16.69 billion in the same period in 2004. Commission income from both conventional and online broking benefited directly from the active daily trading volume.

Margin financing business however suffered from a mild reduction in loans with revenue and profits notably decreasing in the second quarter, as investors became cautious about China stocks.

For corporate finance business, we deferred several deals that were arranged for the first half of 2004 in view of the poor market sentiment caused by decreased confidence in new listings as investors became more cautious in investing in the PRC companies.

Personal loan business has been improving with our stringent cost controls from consolidation and closure of some local branches in late 2003.

Travel and Related Services

Hong Kong Fourseas Tours Limited ("Fourseas") gave satisfactory performance over the first six months with an increase in turnover of HK\$311 million to HK\$718 million. The main reason for the dramatic jump in turnover was mainly due to the effect of SARS in the previous year which crippled the local travel industry. Despite the improvement in performance, Fourseas is still experiencing cut-throat competition in a highly competitive market. Management forecasts a healthy bottom line this year amidst constantly diminishing margins. Fourseas looks to diversify its current product portfolio to control the decrease in margins.

Property Investment and Development

Rental income from the Group's investment properties for the first half of the year was satisfactorily stable with turnover of HK\$6.7 million and a net profit of HK\$16.8 million. As at 30 June 2004, over 90% of the total gross floor of our 30% owned Grade-A commercial building, "The Centrium", was leased out and generating satisfactory income to the Group.

As at 31st December 2003 the Group's entire property portfolio stood over HK\$900 million (including the holding through associates) and by the current period end, the Group recognised a revaluation surplus of HK\$11 million, representing approximately 1.2% appreciation in value.

In the first half we maintained a hold position for most of our property portfolio as we remain bullish on the property sector.

Media and Publications

The media business made overall progress in the market position and market penetration of our magazines. While several niche magazines suffered from niche-market specific decrease in advertising expenditure from advertisers, mature magazines experienced significant growth in advertising and related revenues, with lateral business development, greater advertiser confidence and stronger brand names, leading to individual improved results. The Group also launched a new lifestyle/entertainment Eight Weekly, which is still at an early launch stage, but achieving gradual acceptance in readers and advertisers.

Information and Technology

The operating environment is stabilizing in the IT market in the PRC. The business development of our Mainland IT joint ventures is picking up momentum during the past six months, as our products and services are becoming more refined over time. Overall, the Group's IT sector reported turnover of HK\$16.9 million and net loss of HK\$3.3 million.

Agricultural Business

Our fish rearing lake farm in Nanjing reported a minor loss of HK\$0.4 million, mainly representing operating expenses incurred during this period. The fruit farms in Guangzhou made a loss of HK\$3.3 million due to untimely heavy rain during flowering and fruit bearing periods and the resulting 2003/04 crop size was unable to produce significant revenue. The wholesale price of lychee and longan hit a new low this season, and in response we have implemented further cost cutting measures for the 2004/05 crop.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2004, the Group had a current ratio of 1.11 and a gearing ratio of 11.9% (31 December 2003: 1.16 and 13.4% respectively). The gearing ratio is computed on comparing the Group's total long-term bank borrowings of HK\$90.5 million to the Group's shareholders' fund of HK\$759.1 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2004, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group had no other debt securities or capital instruments as at 30 June 2004 and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2004, the Group has further acquired approximately 9% equity interests of Wah Shing for successive considerations of HK\$22 million.

On 31 March 2004, the Group acquired the remaining 51% equity interest in information and technology business from Geely Automobile Holdings Limited (formerly known as Guorun Holdings Limited) ("Geely") for an aggregate consideration of HK\$5.5 million of which HK\$0.5 million was satisfied in cash and the remaining HK\$5 million was satisfied by a set-off against an equivalent amount owed from Geely to the Group.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

There was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recent published annual report.

PROSPECTS

Trading and Manufacturing

For Wah Shing we are facing a setback from the first half, and the second half will be an uphill struggle. Nevertheless we are confident to finish strong for the year as has always been the case as Christmas approaches. Reviewing the US toy market orders, Wah Shing looks to remain comfortably within the top three manufacturers worldwide for toys OEM business. The stringent cost environment, however, remains a major challenge for Wah Shing to overcome and our strategy for the second half will focus on thoroughly reviewing overheads and cost control measures to maintain a competitive cost structure.

Performances of the trading and manufacturing operations of other toy-related products, leather footwear and garments are expected to improve in line with the acceleration of sales orders in the second half of the year.

Nority's management is confident of an improved second half. More efforts will be put on seeking business opportunities through various means for the purpose of market exploration and business development.

Securities and Financial Services

We remain optimistic about our securities and finance servicing operations in 2004. In August, SCB first launched the trading of future contracts to its online trading engine www.sctrade.com. We are positive about the growth rate of this new service in the coming future. SCB will continue to fortify and diversify its product base to generate more income from its online trading platform.

For our money lending business, we will ride on the business opportunities with the reduced unemployment and bankruptcy as a result of improved economic conditions, while continuing to exercise tight credit control to assure the quality of our loan portfolio.

Travel and Related Services

We expect Fourseas to continue its good performance in the remaining six months as traditionally stronger results are posted in the second half of the year with heavy traffic in Summer and Christmas. Further expansion online and into Mainland China is being mapped out.

Property Investment and Development

In view of the recent market indicators of the property market, the Group is highly optimistic on the future of our property arm, and depending on prices, may consider sales.

Media and Publications

We expect our media business to continue from a good first half, with a positive market environment and strong advertising spending. Mature magazines will achieve growth through further development of existing business platforms and border-line titles are expected to move out of the initial investment stages, into a stage of positive contribution as the brand names achieve greater reader and advertiser confidence.

The Group shall continue to look into possible untapped market segments and launch new titles on our existing reach and base, as well as expand into the PRC publishing industry when opportunities arise.

Information and Technology

Building up on the maturing products and services of our various IT joint ventures in the PRC, we intend to capitalise on this platform to generate revenue outside the Mainland with Hong Kong as a key business development and service center. The Group is investing additional resources in two strategic directions: offshore software development centers in China, and marketing of established software applications for the China market. It is anticipated that we will hit new revenue and profit streams in the foreseeable future. The Group will consider a spin-off of the IT division depending on the business performance and market conditions.

Agricultural Business

The second half looks comfortable for fish rearing and fruit tree growth at the operational level which gives management more time to focus on our main objective: expansion. We are looking to double our acreage in our production bases in Jiangsu province and Hebei province by the end of 2004, while growing our Guangdong base on a step-by-step approach.

Meanwhile, on a smaller scale we will be pilot studying fresh fruit trading, culturing new fruit sapling species, and food processing. We are aiming to develop a wider business platform for supplementing our future massive production base.

Overview

We believe Hong Kong will maintain its steady pace of economic growth in the second half of the year with the continuing increase in tourist arrivals from the Mainland and the massive business opportunities offered by the CEPA. We take the view that the rising interest rate trend in the US implies a stronger economic performance and is therefore favourable to our manufacturing products selling to the market.

EMPLOYEES

As at 30 June 2004, the total number of employees of the Group was approximately 27,600. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared to the most recently published annual report.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors resolved not to declare an interim dividend for the six months ended 30 June 2004 (2003: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2004, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were 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 (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

(a) The Company

Name of Director	Capacity	Number of Ordinary Shares	Total Number of Ordinary Shares
Mr. Ng Hung Sang, Robert ("Mr. Ng")	Beneficial owner	71,652,200	1,344,181,812
	Interests of controlled corporations	1,272,529,612 (<i>Note a</i>)	
Mr. Richard Howard Gorges ("Mr. Gorges")	Persons acting in concert	487,949,760 (<i>Note a</i>)	487,949,760
Ms. Cheung Choi Ngor, Christina ("Ms. Cheung")	Persons acting in concert	487,949,760 (<i>Note a</i>)	487,949,760

(b) Associated Corporations

(i) South China Brokerage Company Limited (“SCB”) (Note b)

Name of Director	Capacity	Number of Ordinary Shares	Total Number of Ordinary Shares
Mr. Ng	Beneficial owner	7,378,000	3,633,830,500
	Interests of controlled corporations	3,626,452,500 (Note c)	
Mr. Gorges	Beneficial owner	16,174,000	16,174,000
Mr. Yuen Kam Tim, Francis	Beneficial owner	7,175,000	7,175,000

(ii) South China Industries Limited (“SCI”) (Note d)

Name of Director	Capacity	Number of Ordinary Shares
Mr. Ng	Interests of controlled corporations	396,621,357 (Note e)

(iii) Nority International Group Limited (“Nority”) (Note f)

Name of Director	Capacity	Number of Ordinary Shares
Mr. Ng	Interests of controlled corporations	114,118,540 (Note g)

(iv) Wab Shing International Holdings Limited (“Wab Shing”) (Note h)

Name of Director	Capacity	Number of Ordinary Shares
Mr. Ng	Interests of controlled corporations	169,669,688 (Note i)

(v) South China Financial Credits Limited (“SCFC”) (Note j)

Name of Director	Capacity	Number of Ordinary Shares
Mr. Ng Yuk Fung, Peter	Beneficial owner	250,000

(vi) The Express News Limited (“Express News”) (Note k)

Name of Director	Capacity	Number of Ordinary Shares
Mr. Ng	Interests of controlled corporations	30 (Note l)

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2004, any interests or short positions 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) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

Notes:

- (a) The 1,272,529,612 shares referred to above include 371,864,000 shares held by Parkfield Holdings Limited (“Parkfield”), 396,050,252 shares held by Fung Shing Group Limited (“Fung Shing”), 16,665,600 shares held by Ronastar Investments Limited (“Ronastar”), 237,303,360 shares held by Bannock Investment Limited (“Bannock”) and 250,646,400 shares held by Earnttrade Investments Limited (“Earnttrade”). Parkfield, Fung Shing and Ronastar are all wholly owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earnttrade which is owned as to 60% by Mr. Ng, 20% by Ms. Cheung and 20% by Mr. Gorges, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr. Ng, Ms. Cheung and Mr. Gorges are deemed to have an interest in 487,949,760 shares in the Company, which are being held by both Bannock and Earnttrade.
- (b) SCB is a 74.59% owned subsidiary of the Company.
- (c) The 3,626,452,500 shares in SCB are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (d) SCI is a 74.79% owned subsidiary of the Company.
- (e) The 396,621,357 shares in SCI are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCI under the SFO.
- (f) SCI owns 42.56% shareholdings in Nority and is considered as SCI’s associated corporation.
- (g) The 114,118,540 shares in Nority are held by an indirect wholly-owned subsidiary of SCI. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of Nority under the SFO.
- (h) Wah Shing, a Singapore listed company, is a 62.34% owned subsidiary of SCI.
- (i) The 169,669,688 shares in Wah Shing are held by a wholly-owned subsidiary of SCI. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of Wah Shing under the SFO.
- (j) SCFC is a 97.34% owned subsidiary of SCB.
- (k) Express News is a 70% owned subsidiary of the Company.
- (l) Mr. Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.
- (m) All interests disclosed above represent long positions in the shares of the Company.

INFORMATION ON SHARE OPTIONS

On 18 June 2002, the new share option scheme (“New Scheme”) of the Company became effective and the share option scheme of the Company adopted in 1992 was terminated.

No share option has been granted or outstanding under the New Scheme since its adoption.

Save as disclosed herein, at no time during the period ended 30 June 2004, the Directors and chief executives had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO showed that the following shareholders had relevant interests in the issued share capital of the Company:

Name of Shareholders	Number of Ordinary Shares	Notes	% Holding
Eartrade Investments Limited ("Eartrade")	487,949,760	(a)	26.76%
Bannock Investment Limited ("Bannock")	237,303,360	(a)	13.01%
Parkfield Holdings Limited ("Parkfield")	371,864,000	(b)	20.39%
Fung Shing Group Limited ("Fung Shing")	396,050,252	(b)	21.72%
Mr. Ng	1,344,181,812	(b)	73.72%

Notes:

- (a) Eartrade is the holding company of Bannock. The 487,949,760 shares referred to above include the 237,303,360 shares held by Bannock. Mr. Ng, Mr. Gorges and Ms. Cheung have beneficial interests in Eartrade.
- (b) The 1,344,181,812 shares referred to above include 487,949,760 shares held by Eartrade in which 237,303,360 shares held by Bannock, 371,864,000 shares held by Parkfield, 396,050,252 shares held by Fung Shing and 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"). Mr. Ng has beneficial interests in Eartrade, Parkfield, Fung Shing and Ronastar.
- (c) All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 30 June 2004, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2004.

AUDIT COMMITTEE

The audit committee has reviewed with the management the financial reporting matters, including the unaudited condensed financial statements, related to the preparation of the interim report for the six months ended 30 June 2004.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of
The People's Republic of China
21 September 2004