



SOUTH CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 265)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

GROUP RESULTS

The Directors (the “Directors”) of South China Holdings Limited (the “Company”) announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 are as follows:-

CONSOLIDATED INCOME STATEMENT

| | | 2003 | 2002 |
|--|--------------|------------------------|------------------------|
| | | <i>Audited</i> | <i>Restated</i> |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 2 | 3,407,870 | 1,980,605 |
| Cost of sales | | (2,943,584) | (1,594,337) |
| Gross profit | | 464,286 | 386,268 |
| Other operating income | | 24,237 | 35,521 |
| Distribution costs | | (85,726) | (84,749) |
| Administrative expenses | | (346,350) | (350,926) |
| Interest expenses for margin financing and money lending operations | | (7,588) | (11,758) |
| Allowance for bad and doubtful debts written back (made) | | 950 | (81,719) |
| Restructuring costs | | (2,382) | (2,000) |
| Gain (Loss) on disposal of non-trading securities | | 13,022 | (57,960) |
| Unrealised holding gain (loss) of trading securities | | 33,875 | (15,217) |
| Impairment loss recognised on non-trading securities | | (181) | (38,979) |
| Surplus (Deficit) on revaluation of investment properties | | 588 | (23,549) |
| Impairment loss on land and buildings written back | | 4,446 | — |
| Impairment loss on land pending development written back | | — | 4,356 |
| Gain arising from changes in fair value of fruit trees | | 3,884 | 16,539 |
| Loss on write-off of fruit trees | | (7,380) | (842) |
| Profit (Loss) from operations | 2 & 5 | 95,681 | (225,015) |

| | | 2003 | 2002 |
|---|--------------|---------------------------|-----------------------------|
| | <i>Notes</i> | <i>Audited</i> | <i>Restated</i> |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Finance costs | | (11,523) | (15,102) |
| Share of results of associates | | (5,923) | (8,109) |
| Allowance for advances to associates written back (made) | 3 | 41,110 | (75,000) |
| Net gain on disposal of subsidiaries | 4 | 28,672 | 99,796 |
| Profit (Loss) before taxation | | 148,017 | (223,430) |
| Income tax (expense) credit | 6 | (4,165) | 1,119 |
| Profit (Loss) before minority interests | | 143,852 | (222,311) |
| Minority interests | | (50,469) | 51,661 |
| Profit (Loss) attributable to shareholders | | 93,383 | (170,650) |
| Dividend | 7 | 10,029 | 3,608 |
| Transfer (to) from reserves, net | 8 | (346) | 186,169 |
| Basic earnings (loss) per share | 9 | <u>HK5.1 cents</u> | <u>(HK9.4 cents)</u> |

Notes:

1. Principal accounting policies

In 2003, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Society of Accountants (HKSA). The term of HKFRS is inclusive of Statements of Standard Accounting Practice (SSAP) and Interpretations approved by the HKSA.

The effect on adopting of new and revised standards are as follows:

SSAP 12 (Revised) Income Taxes - The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of the Standard has no material effect on the Group's results other than presentational changes.

SSAP 36 Agriculture - The principal effect of implementation of SSAP 36 is in relation to the agricultural activity. SSAP 36 requires the measurement of biological assets and agricultural produce at their fair value. In the absence of specific transitional requirements in SSAP 36, the new accounting policy has been applied retrospectively. The effect of the change in policy on the Group's results for the year ended 31 December 2002 was the reduction of loss by approximately HK\$16,320,000.

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 two years ended 31 December 2003 and 2002 is as follows:

By principal activity

| | Trading and manufacturing HK\$'000 | Securities and financial services HK\$'000 | Travel and related services HK\$'000 | Property investment and development HK\$'000 | Media and publications HK\$'000 | Information and technology HK\$'000 | Agriculture HK\$'000 | Investment holding and others HK\$'000 | Consolidated HK\$'000 |
|--|---|--|--|--|--|--|-------------------------|--|--------------------------|
| 2003 | | | | | | | | | |
| TURNOVER | | | | | | | | | |
| External sales | <u>1,999,604</u> | <u>115,046</u> | <u>1,078,401</u> | <u>10,518</u> | <u>166,419</u> | <u>37,378</u> | <u>504</u> | <u>—</u> | <u>3,407,870</u> |
| SEGMENT RESULTS | | | | | | | | | |
| Results before unrealised gain (loss) | 73,999 | (3,083) | 9,039 | 7,228 | (8,309) | (4,546) | (8,191) | (13,068) | 53,069 |
| Unrealised gain (loss) in respect of holding | | | | | | | | | |
| - trading securities | — | 33,875 | — | — | — | — | — | — | 33,875 |
| - non-trading securities | — | — | — | — | — | — | — | (181) | (181) |
| - land and buildings | — | — | — | — | — | — | — | 4,446 | 4,446 |
| - investment properties | — | — | — | 588 | — | — | — | — | 588 |
| - fruit trees | — | — | — | — | — | — | 3,884 | — | 3,884 |
| | <u>73,999</u> | <u>30,792</u> | <u>9,039</u> | <u>7,816</u> | <u>(8,309)</u> | <u>(4,546)</u> | <u>(4,307)</u> | <u>(8,803)</u> | <u>95,681</u> |
| 2002 | | | | | | | | | |
| TURNOVER | | | | | | | | | |
| External sales | <u>1,577,028</u> | <u>101,333</u> | <u>44,747</u> | <u>17,108</u> | <u>156,399</u> | <u>83,793</u> | <u>197</u> | <u>—</u> | <u>1,980,605</u> |
| SEGMENT RESULTS | | | | | | | | | |
| Results before unrealised gain (loss) | 23,089 | (112,110) | 2,010 | 10,148 | (8,851) | (1,930) | (8,503) | (69,018) | (165,165) |
| Unrealised gain (loss) in respect of holding | | | | | | | | | |
| - trading securities | — | (15,217) | — | — | — | — | — | — | (15,217) |
| - non-trading securities | — | — | — | — | — | — | — | (38,979) | (38,979) |
| - properties held for sale | — | — | — | (3,000) | — | — | — | — | (3,000) |
| - investment properties | — | — | — | (23,549) | — | — | — | — | (23,549) |
| - land pending development | — | — | — | 4,356 | — | — | — | — | 4,356 |
| - fruit trees | — | — | — | — | — | — | 16,539 | — | 16,539 |
| | <u>23,089</u> | <u>(127,327)</u> | <u>2,010</u> | <u>(12,045)</u> | <u>(8,851)</u> | <u>(1,930)</u> | <u>8,036</u> | <u>(107,997)</u> | <u>(225,015)</u> |

By geographical location*

| | Turnover | | Contribution to profit (loss) from operations | |
|--|------------------|------------------|---|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| United States of America | 1,214,145 | 978,723 | 37,949 | 20,464 |
| Europe | 463,910 | 442,377 | 9,159 | 6,937 |
| The People's Republic of China (the "PRC") and Hong Kong | 1,588,291 | 483,315 | 45,511 | (253,183) |
| Japan | 47,405 | 22,501 | 891 | (145) |
| Others | 94,119 | 53,689 | 2,171 | 912 |
| | <u>3,407,870</u> | <u>1,980,605</u> | <u>95,681</u> | <u>(225,015)</u> |

* Turnover and contribution to profit (loss) from operations by geographical location is determined on the basis of the location where merchandise or services are delivered.

3. Allowance for advances to associates written back (made)

The amount included a write-back of allowance for advances to an associate of HK\$40 million (2002: provision of HK\$75 million) by reference to valuation of a 30% -owned Grade-A commercial building in Hong Kong.

4. Net gain on disposal of subsidiaries

| | 2003 HK\$'000 | 2002 HK\$'000 |
|--|------------------|------------------|
| Gain on disposal of SC Pharm (<i>Note i</i>) | 28,672 | — |
| Gain on dilution and disposal of interest in SCIT (<i>Note ii</i>) | — | 91,201 |
| Gain on dilution of interest in WSE (<i>Note iii</i>) | — | 8,956 |
| Loss on disposal of other subsidiaries | — | (361) |
| | <u>28,672</u> | <u>99,796</u> |

Notes:

- (i) During 2003, Tianjin South China Pharmaceutical Company Limited ("SC Pharm") ceased to be a subsidiary of the Group. The deconsolidation gave rise to a gain of approximately HK\$29 million.
- (ii) In 2002, the interest of South China Industries Limited ("SCI") in South China Information and Technology Limited (now known as "Geely Automobile Holdings Limited") ("SCIT") was diluted from 70.35% to 7.17% as a result of the subscription of new shares in SCIT by a new shareholder. The dilution gave rise to a deemed gain of approximately HK\$67 million. SCI later sold its remaining interest in SCIT and recorded an additional gain of approximately HK\$24 million.
- (iii) In 2002, SCI disposed of its interest in Wah Shing Electronics Company Limited ("WSE") to a wholly owned subsidiary of Wah Shing International Holdings Limited. Consequently, SCI's effective interest in WSE was diluted from 59.0% to 35.9%. The dilution gave rise to a deemed gain of approximately HK\$9 million.

5. **Depreciation**

Profit (Loss) from operations for the year is arrived at after charging depreciation of approximately HK\$62,289,000 (2002: HK\$63,111,000) in respect of the Group's property, plant and equipment.

6. **Income tax (expense) credit**

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. Taxes on profits assessable elsewhere have been calculated at rates of taxation prevailing in the countries and the regions in which the Group operates.

7. **Dividend**

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Final dividend proposed - HK0.55 cent (2002: Nil) | 10,029 | — |
| Special dividend paid (Note) | <u>—</u> | <u>3,608</u> |
| | <u>10,029</u> | <u>3,608</u> |

Note:

In 2002, the Board of Directors declared a special dividend of HK 0.14 cent per share to the then shareholders. Approximately HK\$2,500,000 was paid in specie on the basis of one share of Jinchang Pharmaceutical Holdings Limited, a former wholly owned subsidiary, for every eight shares held by shareholders on 22 February 2002.

In addition, the Board of Directors declared a special dividend of HK 0.06 cent per share to the then shareholders. Approximately HK\$1,108,000 was paid in specie on the basis of one share of Capital Publications Limited, a former wholly owned subsidiary, for every four shares held by shareholders on 25 February 2002.

8. **Transfer (to) from reserves, net**

| | 2003 HK\$'000 | 2002 HK\$'000 |
|---|------------------|------------------|
| Transfer from special reserve | — | 186,414 |
| Transfer to statutory reserve | (346) | (181) |
| Transfer to capital reserve | — | (14) |
| Write-off of premium paid on shares repurchased by a subsidiary | <u>—</u> | <u>(50)</u> |
| | <u>(346)</u> | <u>186,169</u> |

8. **Earnings (Loss) per share**

The calculation of basic earnings (loss) per share is based on the profit attributable to shareholders of approximately HK\$93,383,000 (2002: loss of HK\$170,650,000) and on approximately 1,823,401,000 shares (2002: approximately 1,823,401,000 shares) in issue during the year.

In 2003, no diluted earnings per share is presented because the exercise price of the Company's warrants was higher than the average market price for shares.

In 2002, no diluted loss per share is presented because there is no dilution effect.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2003 saw a very marked difference in economic circumstances between the first and the second half of the year. The Group experienced significant improvement in overall performance amid the rebound in the local economy from its worst in the second quarter of last year. After a prolonged period of economic hardship, Hong Kong was back on the recovery track with some support from the central government after Severe Acute Respiratory Syndrome (“SARS”) period. The Closer Economic Partnership Agreement with Hong Kong and the Individual Travel Permit Scheme allowing residents of the major cities in the PRC to visit Hong Kong helped to bolster consumer spending as well as to bring back favourable investment sentiment to the local economy. Our securities and travel businesses, being closely connected to the general market conditions, benefited greatly from these measures.

The Group’s results turned around from a loss in 2002 to a profit of HK\$93.4 million for the year 2003. Our businesses overall returned to profitability in August last year which reversed the loss position in the first half of the year. The Group recorded a significant increase in turnover of 72% to HK\$3.4 billion for the year 2003 when compared to the preceding financial year. The Group’s two core subsidiaries, South China Industries Limited (“SCI”) and South China Brokerage Company Limited (“SCB”) both reported satisfactory profit for the year 2003.

Against the backdrop of the economic upturn, the Group recognised a gain on disposal of non-trading securities of HK\$13.0 million; and reported an unrealised gain of HK\$33.9 million on holding trading securities at the end of the year. In addition, there was a write-back of allowance for advances to an associate of HK\$40.0 million due to the significant appreciation in property value of our 30% owned Grade-A commercial building, “The Centrium” in Central, as compared to the provision of HK\$75.0 million made in 2002.

Trading and Manufacturing

Wah Shing International Holdings Limited (“Wah Shing”) reported an impressive growth of 48% in turnover to HK\$1.83 billion, principally due to increased orders from certain customers. Wah Shing faced a number of challenges during the year. The continuing consolidation of toy companies and concentration of retailers both in the United States and Europe and the over supply of production capacity in China continued to exert price reduction pressure. As the US military conflicts in Iraq along with SARS fall out had delayed the merchandising cycle of overseas buyers to later months, Wah Shing had to incur extra costs to fulfil customers orders with shorter delivery times. The weak US dollar, the rising material prices and labour costs in Mainland China also added to the manufacturing costs. Against these adverse factors, Wah Shing continued to improve its cost control and efficiency and, with some bad debts recovered, reported a net profit of HK\$43.3 million.

Wah Shing Electronics Company Limited (“WSE”), a subsidiary of Wah Shing, faced a decrease in revenue and, despite imposition of strict cost control schemes, reported a loss of HK\$5.5 million for the year.

First half figures for our footwear and garment businesses fell substantially due to cancellation of orders by major overseas customers as a result of the outbreak of SARS. However, major sales efforts in the second half made up for most of the revenue gap, contributing to a net profit of HK\$5.7 million for the year.

Likewise, the Group's associate Nority International Group Limited ("Nority") which engages in the manufacture and export of athletic-style leisure footwear, was also adversely affected by the war in Iraq and the SARS epidemic and reported a loss of HK\$22.6 million in 2003.

Securities and Financial Services

The average stock market daily turnover dramatically leapt from HK\$6.5 billion in 2002 to HK\$10.3 billion in 2003. The results from broking operations recovered from its worst in 2002 to profitability in 2003. Both the trading volume and the number of clients for online securities trading continued to expand, in particular with the growth in the number of initial public offers ("IPOs") during the last quarter of the year. Margin finance business grew satisfactorily in the second half of the year with some of the IPOs being well received by the market.

Personal loan business, on the other hand, suffered substantially from the deteriorating unemployment rate and personal bankruptcy petitions in the year 2003. Although the Hong Kong economy staged a rapid rebound in the second half of the year, individuals did not benefit immediately, and further provisions for doubtful debts had to be made. We were prudent in granting loans and setting limits and continue to exercise tight credit control to ensure the quality of our loan portfolio.

Our corporate finance division was successful in securing an increased number of deals in corporate advisory services, rights issues and placements of shares as well as IPO sponsorship and underwriting on both the Main and GEM boards.

For the year under review, SCB's turnover increased by 15% to HK\$117.7 million and reported profit attributable to shareholders of HK\$33.4 million.

Travel and Related Services

2003 was a particularly difficult period for all travel related industries due to the effects of SARS. However, for our Hong Kong Four Seas Tours Limited ("Fourseas"), 2003 was an exceptionally successful year. Fourseas was able to capitalise on a weak competitive market during the SARS period to cement its position as one of Hong Kong's leading airline consolidators. This was reflected in the posting of a very strong second half performance.

Fourseas began to develop Mainland market in the year by opening an office in Guangzhou, and so far its performance has been satisfactory.

Property Investment and Development

The property market picked up steadily after the SARS period with a rise in general property prices and transaction volume. Our property arm recorded a net profit of HK\$7.2 million, as

a result of increased rental revenues from higher property occupancy rates and a reviving commercial sector, offset by increased property areas occupied by the Group and the absence of revenue from sales of properties during the year. The investment property at Lippo Centre was fully leased out by September 2003. In 2003, the Group recognised an unrealised gain on revaluation of HK\$0.6 million. In comparison, the Group recorded a deficit on revaluation on investment properties of HK\$23.6 million in 2002. A more significant appreciation in property value was recognised as a write-back of allowance for advances to an associate in respect of the 30% owned Grade-A commercial building, “The Centrium” in Central. Over 85% of the gross floor area was leased out at the end of 2003, generating satisfactory revenue.

In Shanghai, a 20.4% owned property development declared dividends to the Group.

Media and Publications

The media business made overall improvements in operating results, despite the effect of SARS on cutting of advertising budgets in the second quarter of 2003. Advertising orders returned rapidly following the picking up of the economy and consumer spending in the second half of the year. Individual titles saw good improvement and were profitable. Several magazines were re-positioned in terms of style, content and publishing intervals during the year in order to better meet the needs of readers and advertisers.

Information and Technology

The Group consolidated its IT portfolio to divest loss-making interests and pooled together its product base and market resources. The turnover of the IT business declined by 55% to HK\$37.4 million with an aggregated loss of HK\$4.5 million for the year 2003. For each separate IT joint venture on Mainland China, our strategic direction was to focus heavily on market development, which has given us a head start for the coming year. Furthermore, our joint ventures continue to provide low-cost programming services to strengthen our Hong Kong products, of which our turn-key stock-trading solution is expected to be marketed in the near future.

Agricultural Business

The Group’s agricultural business in the PRC was not profitable in 2003, as fluctuating market prices and operational difficulties made this a challenging period. The plantation of lychee and longan trees in Zhengcheng and Boluo, Guangdong had much lower average production costs taking advantage of economies of scale as more trees matured to become fruit bearing. The lake farm in Nanjing has been changed from a pure crab rearing farm to one which rears several species of fishes. This will have lower margins, but it is considered justified by its lower risk factor and higher diversification. The Group commenced its investment in a new plantation farm of winter dates (“dongzhao”) in Haixing County Hebei Province the PRC at the end of December 2003.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2003, the Group had a current ratio of 1.16 and a gearing ratio of 13.5% (31 December 2002: 1.10 and 15.3% respectively). The gearing ratio is computed by

comparing the Group's total long-term bank borrowings of HK\$102.2 million to the Group's shareholders' fund of HK\$757.2 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings. The Directors believe that the Group has sufficient banking facilities and working capital for its operations.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2003, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

INVESTMENTS

For the year ended 31 December 2003, the Group increased its non-trading and trading securities portfolio by HK\$21.3 million and HK\$22.0 million respectively, after accounting for the adjustments of decrease and increase in fair values of HK\$0.2 million and HK\$33.9 million for non-trading and trading securities respectively at the end of the year.

CAPITAL STRUCTURE

The Group had no other debt securities or capital instruments as at 31 December 2003 and up to the date of this announcement.

MATERIAL ACQUISITION AND DISPOSAL

Details of material disposals are set out in Note 4 to the Consolidated Income Statement above.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES

As at 31 December 2003, a significant portion of the short-term borrowings was for normal trading purposes with the level of borrowings depending on the level of trading activities. The long term banking facilities were mostly secured by the property, plant and equipment and the development and investment properties of the Group.

There was no material change in the Group's contingent liabilities as compared to the most recent published annual report.

PROSPECTS

Trading and Manufacturing

A number of industry-wide challenges continue to impact our toy manufacturing business. Amongst them are mounting price reduction pressure from customers and, the ever-increasing manufacturing costs exacerbated by stringent product and workplace safety requirements, market demand for more products and wider variety of novelty designs, and pressure on the revaluation of the Renminbi. To meet these challenges, Wah Shing is striving to enhance its own product development and design capabilities, to upgrade the machinery and equipment, and to improve the production workflow and factory environment in order to

capture larger volume orders. Wah Shing will also continue to identify sources of lower cost fabric and raw materials to save on the overall procurement costs. The progress of its new factory in Yunan, Guangdong, which started operation in the second half of 2003, is being closely monitored.

WSE is experiencing good sales on a few new projects and is likely to return to the profitability.

In March 2004, our shoes business won Wal-Mart's "International Supplier of the Year 2003" award in recognition of its quality, on-time shipment and good co-operation. In view of the positive impact on turnover resulting from this, our strategy in the coming months is to focus on building up a strong customer base and continue to push our production units to fuller capacity.

Nority has a sound financial position and is seeking to diversify its income.

We have obtained a final judgment dated 20 December 2003 in favour of the Group from The Supreme Court of The People's Republic of China in respect of the litigation between a wholly-owned subsidiary of the Company and Nanjing Micromotor Co., our Nanjing joint venture partner. The joint venture owns a street of valuable investment properties located in the prime commercial area at the heart of the city (the "Properties"). The Properties presently generate annual rental income of over RMB11 million. Under the final judgement, the joint venture partner was ordered to compensate the Group for the damages as a result of the breach of the joint venture agreement. We are planning to use the compensation to buy out the entire group companies of our joint venture partners and the negotiation process is now underway.

Securities and Financial Services

The recent announcement from the Financial Secretary to strengthen the financial co-operation between Hong Kong and the Mainland and reinforce our status as an international financial centre are all favourable to the market. There will be an increasing number of enterprises from China seeking to list in Hong Kong. Our corporate finance team expects to be more active in obtaining IPO deals and advisory services for the PRC enterprises.

Our securities broking business began the year very well amid the active daily stock turnover. Margin financing income was bolstered by the overwhelming response from the general public to the latest IPOs. Online trading through our website www.sctrade.com continues to increase. New online business for trading futures and options started in early 2004.

The unemployment rate and the number of personal bankruptcies are expected to reduce gradually in the future, doubtful debt provisions should decrease in this circumstance. The personal loan business is still expected to be very competitive in 2004. We will focus on marketing and promoting personal loans to selected market segments that we perceived to have lower risk.

We are optimistic about the prospects in the current year.

Travel and Related Services

The agency side of the businesses remains the strength and central focus of the travel and related services. Backed by year 2003's performance, the Group is confident that our travel business is on the road to success. Fourseas, having proven that it is highly competitive in ticketing consolidation, will further develop its corporate travel services in Hong Kong and certain related services in Mainland China.

Property Investment and Development

The PRC government policy to extend the Individual Travel Permit Scheme for more cities in Mainland China will boost the local economy. The Group's rental properties around tourist districts are expected to generate higher rental income on renewals or new leases. The improved market sentiment should attract more investment in Hong Kong and greater demand for high quality offices. We expect the rental income from The Centrium in Central to continue to rise and expect full occupancy very soon.

Looking forward to a rising property market, we shall re-tune our property portfolio to divest non-core assets, and seek attractive investment properties in both Hong Kong and Mainland China.

Media and Publications

As the Group's other businesses that are sensitive to market environment, our view for the media and publications in 2004 is optimistic. Helped by the stronger economy, our media group will focus on building stronger brands for the existing magazines, expand revenue sources and services and also consider new titles when market opportunities arise. In the longer run, we plan to aggressively expand into the rapidly growing China market with Mainland local publishers.

Information and Technology

The operating environment is still difficult due to the keen competition in the IT market in the PRC. The Group's target is to make a profit in the IT segment in 2004 and the prospects of our Mainland IT joint ventures are improving. In Hong Kong, plans to further develop in-house platforms at a low cost structure should benefit the Group's customer products and overall operational efficiency.

Agricultural Business

Management maintains the view that the agricultural industry in Mainland China has great potential. Having already gained control of 36 square kilometers of agricultural land and lake areas across Jiangsu, Guangdong and Hebei provinces, we intend to further expand so as to attain the size and diversification we need to guarantee a promising future. Government support in developing agricultural sector provides a promising future where we can take advantage of subsidies and stable markets in the years to come.

Overview

Looking ahead, the upturn in the global economy will continue to benefit our trading and manufacturing businesses that mainly export products to overseas markets. The significant improvement in local consumer and investor sentiment, gradual pick up in employment and a rebound in asset prices in the recent period further validate the general domestic economic growth forecasts. We believe the Group would benefit accordingly with sound businesses and considerable property portfolio in Hong Kong and Mainland China.

EMPLOYEES

As at 31 December 2003, the total number of employees of the Group was approximately 16,000. Employees' cost (including directors' emoluments) amounted to approximately HK\$544 million for the year.

The Group considers its employees as its most valuable asset. In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidised training programmes are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme which came into effect on 18 June 2002.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK0.55 cent (2002: Nil) per share, which amounted to approximately HK\$10,029,000 (2002: Nil) in respect of the year ended 31 December 2003 to the shareholders whose names appear on the Register of Members of the Company on 25 May 2004. No interim dividend was paid during the year ended 31 December 2003.

Subject to the approval by shareholders at the forthcoming Annual General Meeting, it is intended that dividend warrants will be despatched to shareholders on or before 18 August 2004.

CLOSURE OF REGISTER FOR ENTITLEMENT OF FINAL DIVIDEND

The Register of Members of the Company will be closed from 24 May 2004 to 25 May 2004, both days inclusive, during which period no share transfers will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates of the Company, must be lodged for registration with the Company's Share Registrar, Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 21 May 2004.

ARRANGEMENTS TO PURCHASE, REDEEM OR SELL THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

The audit committee has reviewed with the management the financial reporting matters, including the audited financial statements, relating to the preparation of the financial statements for the year ended 31 December 2003.

The audit committee comprises two members, Mr. David Michael Norman and Mr. David John Blackett, who are independent non-executive directors of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Articles of Association.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 25 May 2004. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which is expected to be published on or about 30 April 2004.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE’S WEBSITE

Annual report of the Group for the year ended 31 December 2003 containing all information required to be disclosed according to Appendix 16 of the Listing Rules will be published on the web-site of the Stock Exchange in due course.

As at the date of this announcement, the board of directors of the Company comprises (1) Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina, Mr. Richard Howard Gorges, Ms. Ng, Jessica Yuk Mui and Mr. Ng Yuk Fung Peter as executive directors; (2) Mr. Tan Boon Seng and Mr. Yuen Kam Tim, Francis as non-executive directors; and (3) Mr. David Michael Norman and Mr. David John Blackett as independent non-executive directors.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People’s Republic of China
24 April 2004

A copy of this announcement can be obtained
from our website www.sctrade.com



南 華 集 團 成 員
A Member of South China Group

Please also refer to the published version of this announcement in The Standard.