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## BOARD OF DIRECTORS

### *Executive directors:*

Cheong Pin Chuan, Patrick  
Cheong Kim Pong  
Cheong Pin Seng  
Cheong Sim Eng

### *Independent non-executive directors:*

Kan Fook Yee  
Lai Hing Chiu, Dominic

### *Non-executive director:*

Lim Ghee

## RESULTS

The Board of Directors of Winfoong International Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 were as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2004*

	Notes	Six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	2	20,862	23,801
Cost of sales		(7,379)	(9,089)
Gross profit		13,483	14,712
Other revenue		1,222	2,474
Operating and administrative expenses		(14,653)	(15,081)
Provision for impairment of properties held for sale		(4,417)	–
(Loss)/profit from operating activities	3	(4,365)	2,105
Finance costs	4	(4,895)	(7,709)
Share of (loss)/profit of an associate		(112)	2,270
Loss before tax		(9,372)	(3,334)
Tax	5	(183)	(697)
Loss before minority interests		(9,555)	(4,031)
Minority interests		14	10
Loss attributable to shareholders		(9,541)	(4,021)
Loss per share – Basic	6	(0.64cents)	(0.27cents)

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**CONDENSED CONSOLIDATED BALANCE SHEET**

30 June 2004

		<b>30 June 2004</b>	<b>31 December 2003</b>
		<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	8	1,302,537	1,302,934
Properties held for future development		80,000	80,000
Interest in an associate		352,805	356,083
Other long term assets	9	3,676	4,396
Pledged bank balances and time deposits		3,162	3,711
Deferred tax assets		986	986
		<u>1,743,166</u>	<u>1,748,110</u>
<b>CURRENT ASSETS</b>			
Properties held for sale	10	53,458	59,643
Inventories		227	210
Construction contracts		595	595
Trade and other receivables	11	18,794	18,633
Other current assets		104	246
Cash and cash equivalents		4,654	3,673
		<u>77,832</u>	<u>83,000</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	18,780	18,755
Interest-bearing bank loans	13	29,630	49,645
Tax payable		14,449	14,449
		<u>62,859</u>	<u>82,849</u>
<b>NET CURRENT ASSETS</b>		<u>14,973</u>	<u>151</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,758,139</u>	<u>1,748,261</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	13	534,993	513,617
Deferred income		5,583	5,583
Deferred tax liabilities		1,397	1,397
		<u>541,973</u>	<u>520,597</u>
<b>MINORITY INTERESTS</b>		<u>3,152</u>	<u>3,159</u>
<b>NET ASSETS</b>		<u>1,213,014</u>	<u>1,224,505</u>
<b>REPRESENTING:</b>			
Share capital	14	74,620	74,620
Reserves	15	1,138,394	1,149,885
<b>SHAREHOLDERS' FUNDS</b>		<u>1,213,014</u>	<u>1,224,505</u>

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2004*

	<b>Six months ended 30 June</b>	
	<b>2004</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>2003</b> <i>(Unaudited)</i> <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(2,992)	(134)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	2,610	(1,617)
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>1,363</u>	<u>4,466</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	981	2,715
Cash and cash equivalents at beginning of period	<u>3,673</u>	<u>1,564</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>4,654</u></u>	<u><u>4,279</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,418	4,035
Time deposits	<u>236</u>	<u>244</u>
	<u><u>4,654</u></u>	<u><u>4,279</u></u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2004*

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2004</b>	<b>2003</b>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total shareholders's equity at 1 January		1,224,505	1,258,819
Surplus on revaluation of an investment property realized on disposal of a subsidiary		(50)	–
Share of movements in reserves of an associate	15	185	408
Exchange differences on translation of the financial statements of foreign entities	15	<u>(2,085)</u>	<u>(6,236)</u>
Net gain and losses not recognised in income statement		<u>(1,950)</u>	<u>(5,828)</u>
Loss for the period attributable to shareholders		(9,541)	(4,021)
Share repurchased and cancelled		<u>–</u>	<u>(32)</u>
Total shareholder's equity at 30 June		<u><u>1,213,014</u></u>	<u><u>1,248,938</u></u>

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## **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*30 June 2004*

### **1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") no. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and the basis of preparation used in the preparation of these interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2003 except that land and buildings and investment properties have not been revalued at the balance sheet date.

### **2. SEGMENT INFORMATION**

Segment information is presented on a primary segment reporting basis by business segment.

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

- (a) Property investment and management;
- (b) Property construction and development; and
- (c) Horticultural services.

The operations outside Hong Kong contributed less than 10% of turnover and less than 10% of consolidated operating loss.

Intersegment sales and transfers are transacted at terms agreed between parties with reference to third party prices.

## 2. SEGMENT INFORMATION (continued)

### *Business segments*

The following tables present revenue, profit/(loss) for the Group's business segments for the six months ended 30 June:

	<b>Property investment and management</b>	<b>Property construction and development</b>	<b>Horticultural services</b>	<b>Corporate and others</b>	<b>Eliminations</b>	<b>Consolidated</b>
<i>2004 (Unaudited)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:						
Sales to external customers	17,704	1,637	1,521	-	-	20,862
Intersegment sales	2,347	2,522	-	-	(4,869)	-
Other revenue	376	-	-	842	-	1,218
Total revenue	<u>20,427</u>	<u>4,159</u>	<u>1,521</u>	<u>842</u>	<u>(4,869)</u>	<u>22,080</u>
Segment results	<u>3,255</u>	<u>(2,247)</u>	<u>172</u>	<u>(680)</u>	<u>(4,869)</u>	<u>(4,369)</u>
Interest income						4
Loss from operating activities						(4,365)
Finance costs						(4,895)
Share of loss of an associate	(112)					(112)
Loss before tax						(9,372)
Tax						(183)
Loss before minority interests						(9,555)
Minority interests						14
Loss attributable to shareholders						<u>(9,541)</u>

## 2. SEGMENT INFORMATION (continued)

### *Business segments*

<i>2003 (Unaudited)</i>	<b>Property investment and management</b> <i>HK\$'000</i>	<b>Property construction and development</b> <i>HK\$'000</i>	<b>Horticultural services</b> <i>HK\$'000</i>	<b>Corporate and others</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	17,346	4,951	1,504	–	–	23,801
Intersegment sales	1,644	1,469	–	–	(3,113)	–
Other revenue	2,220	–	–	144	–	2,364
Total revenue	<u>21,210</u>	<u>6,420</u>	<u>1,504</u>	<u>144</u>	<u>(3,113)</u>	<u>26,165</u>
Segment results	<u>6,084</u>	<u>(810)</u>	<u>39</u>	<u>(205)</u>	<u>(3,113)</u>	1,995
Interest income						<u>110</u>
Profit from operating activities						2,105
Finance costs						(7,709)
Share of profit of an associate	2,270					<u>2,270</u>
Loss before tax						(3,334)
Tax						<u>(697)</u>
Loss before minority interests						(4,031)
Minority interests						<u>10</u>
Loss attributable to shareholders						<u>(4,021)</u>

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### 3. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	668	944
Cost of properties sold	1,850	5,572
Increase in fair value of listed investments	–	(15)
Profit on disposal of listed investments	(172)	–
Dividends from unlisted investments	(183)	–
Loss/(profit) on disposal of fixed assets	6	(3)
Provision for impairment of long term unlisted investments	12	774
Rental income, gross of HK\$17,264,000(2003:HK\$16,846,000) less outgoings of HK\$5,329,000(2003:HK\$3,326,000)	(11,935)	(13,520)
Reversal of provision for impairment of loan receivable	–	(2,220)
Interest income	(4)	(110)

### 4. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans	4,895	7,709

### 5. TAX

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of tax attributable to an associate:		
Elsewhere	183	697

No Hong Kong profits tax has been provided as the Company and its subsidiaries either has no assessable profits arising in Hong Kong or has available tax losses brought forward from prior years to offset against current year estimated assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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## 6. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the period of HK\$9,541,000 (2003:HK\$4,021,000) and the weighted average number of 1,492,410,986 (2003:1,492,418,655) ordinary shares in issue during the period.

The fully diluted loss per share is not shown for both periods because the effect of any dilution is anti-dilutive.

## 7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2004 (2003: Nil).

## 8. FIXED ASSETS

	<i>(Unaudited)</i> <i>HK\$ '000</i>
At 1 January 2004	1,302,934
Additions	589
Disposal	(318)
Depreciation	(668)
	<hr/>
At 30 June 2004	<u>1,302,537</u>

## 9. OTHER LONG TERM ASSETS

	<b>30 June</b> <b>2004</b> <i>(Unaudited)</i> <i>HK\$ '000</i>	<b>31 December</b> <b>2003</b> <i>(Audited)</i> <i>HK\$ '000</i>
Unlisted equity investments, at cost	6,626	6,626
Less: Provision for impairment	(3,360)	(3,348)
	<hr/>	<hr/>
	3,266	3,278
Loans receivable	24	40
Less: Loans receivable classified as current assets – note 11	(24)	(32)
	<hr/>	<hr/>
	–	8
Unlisted debentures, at cost	410	1,110
	<hr/>	<hr/>
	<u>3,676</u>	<u>4,396</u>

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## 10. PROPERTIES HELD FOR SALE

	<i>(Unaudited)</i> <i>HK\$'000</i>
At 1 January 2004	59,643
Disposal	(1,768)
Provision for impairment	(4,417)
	<hr/>
At 30 June 2004	53,458
	<hr/> <hr/>

## 11. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	<b>30 June</b> <b>2004</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>31 December</b> <b>2003</b> <i>(Audited)</i> <i>HK\$'000</i>
Current	475	535
1-3 months	157	138
4-6 months	38	16
7-12 months	–	53
Over 1 year	50	–
	<hr/>	<hr/>
	720	742
Prepayments	756	779
Loan receivables – note 9	24	32
Tax reserve certificate	14,449	14,449
Deposits and other debtors	2,507	2,293
Retention money receivable	338	338
	<hr/>	<hr/>
	18,794	18,633
	<hr/> <hr/>	<hr/> <hr/>

The Group's trade receivables are normally invoiced with credit terms of 30 to 60 days of issuance.

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## 12. TRADE AND OTHER PAYABLES

Details of trade and other payables are as follows:

	<b>30 June 2004</b>	<b>31 December 2003</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	190	938
1-3 months	87	536
4-6 months	73	177
7-12 months	134	12
Over 1 year	1,910	1,913
	<hr/>	<hr/>
	2,394	3,576
Accruals	1,508	2,475
Deposits received	6,598	5,984
Retention money payables	3,666	3,650
Other liabilities	4,614	3,070
	<hr/>	<hr/>
	18,780	18,755
	<hr/> <hr/>	<hr/> <hr/>

## 13. INTEREST-BEARING BANK LOANS

	<b>30 June 2004</b>	<b>31 December 2003</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans, secured	564,623	563,262
Less: Portion classified as current liabilities	(29,630)	(49,645)
	<hr/>	<hr/>
Long term portion	534,993	513,617
	<hr/> <hr/>	<hr/> <hr/>
Bank loans are repayable:		
Within one year	29,630	49,645
In the second year	53,973	32,722
In the third to fifth years, inclusive	212,028	200,049
Beyond five years	268,992	280,846
	<hr/>	<hr/>
	564,623	563,262
	<hr/> <hr/>	<hr/> <hr/>

#### 14. SHARE CAPITAL

	<b>30 June 2004</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>31 December 2003</b> <i>(Audited)</i> <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.05 each	100,000	100,000
Issued and fully paid:		
1,492,410,986 ordinary shares of HK\$0.05 each	74,620	74,620

As at 30 June 2004, the Company had 120 million outstanding share options which were granted to directors of the Company to subscribe in cash for fully paid ordinary shares of the Company at HK\$0.268 per share at any time on or before 10 July 2004. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 120,000,000 additional ordinary shares for gross proceeds of HK\$32,160,000.

Subsequent to 30 June 2004, the 120 million share options expired unexercised on 10 July 2004.

#### 15. RESERVES

	<b>At 1 January 2004</b> <i>(Audited)</i> <i>HK\$'000</i>	<b>Realised on disposal of a subsidiary</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>Exchange realignment</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>Net loss for the period</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>Share of movements in reserves of an associate</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>At 30 June 2004</b> <i>(Unaudited)</i> <i>HK\$'000</i>
Share premium	196,873	-	-	-	-	196,873
Capital redemption reserve	121	-	-	-	-	121
Contributed surplus	618,098	-	-	-	-	618,098
Investment property revaluation reserve	713,720	(50)	-	-	-	713,670
Capital reserve	145,549	-	-	-	-	145,549
Exchange fluctuation reserve	(152,966)	-	(2,085)	-	185	(154,866)
Accumulated losses	(371,510)	-	-	(9,541)	-	(381,051)
Total	1,149,885	(50)	(2,085)	(9,541)	185	1,138,394

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## 16. CONTINGENT LIABILITIES

- (a) As at 30 June 2004, the Company had given unconditional guarantees to banks to secure loan facilities available to subsidiaries to the extent of approximately HK\$617.1 million (31 December 2003: HK\$633.3 million). The extent of such facilities utilised by the subsidiaries amounted to approximately HK\$564.6 million (31 December 2003: HK\$563.3 million).
- (b) As at 30 June 2004, the Group had given corporate guarantees to banks for issuing letters of indemnity to a third party in respect of contracts undertaken by certain subsidiaries, and to indemnify the repayment of certain mortgage loans. The total amount of the guarantees was approximately HK\$5.5million (31 December 2003: HK\$5.5 million).

## 17. OPERATING LEASE ARRANGEMENTS

(a) *As lessor*

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits. As at 30 June 2004, the Group had total future minimum lease receivables under non-cancelable operating leases with its tenants falling due as follows:

	<b>30 June 2004</b>	<b>31 December 2003</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	18,135	17,454
In the second to fifth years, inclusive	636	1,371
	<u>18,771</u>	<u>18,825</u>

(b) *As lessee*

The Group leases certain of its properties and furniture under operating lease arrangements. Leases for properties are negotiated for terms of 2 years and those for furniture for terms of 1 year. As at 30 June 2004, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	<b>30 June 2004</b>	<b>31 December 2003</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	505	89
In the second to fifth years, inclusive	446	36
	<u>951</u>	<u>125</u>

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## 18. COMMITMENTS

As at 30 June 2004, the Group had the following commitments:

	<b>30 June 2004</b>	<b>31 December 2003</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital commitments contracted for	<u>1,170</u>	<u>1,170</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATIONS AND FUTURE PROSPECTS

During the period, the Group continues to engage in property related businesses and provision of horticultural services. The decrease in turnover was due to the decrease in the revenue from the business segment of property construction and development.

The Group recorded net loss of approximately HK\$9.5 million in the period. The increase in loss was mainly attributable to the provision made for the Group's properties held for sale.

The net asset value of the Group per share as at 30 June 2004 was approximately HK\$0.81 based on the 1,492,410,986 shares issued.

The Group will continue to capture investment and development opportunities in Hong Kong.

### LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are centrally managed and controlled at the corporate level. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report. The Group has no exposure to foreign exchange rate fluctuations except for the interest in an associate in Singapore which is held as long term investment. The Group's borrowings are denominated in Hong Kong dollars and arranged on a floating rate basis.

The Group's working capital requirements are met by recurring cash flows from the investment properties portfolios and committed undrawn credit facilities. Majority of the Group's borrowings matures in or after 2010. As at 30 June 2004, the outstanding bank loan amounted approximately HK\$564.6 million. These loan facilities were secured by the Group's properties. The end of period gearing ratio based on bank loans less cash and bank balances to shareholders' funds including minority interests was approximately 45.8% (31 December 2003: 45.3%). The Company has provided guarantees in respect of bank facilities made available to subsidiaries totaling approximately HK\$622.6 million.

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## DIRECTORS' INTERESTS

At 30 June 2004, the interests and short positions of directors and chief executive in shares, underlying shares and debentures of the Company and its associated corporations as required to be disclosed under and within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") were as follows:

(i) *Long positions in shares and underlying shares of the Company*

Name of director	Type of interest and number of shares		Total	Percentage
	Corporate	Family		
Cheong Pin Chuan, Patrick	602,645,787	3,047,000	605,692,787	41%
Cheong Kim Pong	602,645,787	–	602,645,787	40%
Cheong Pin Seng	602,645,787	–	602,645,787	40%
Cheong Sim Eng	602,645,787	–	602,645,787	40%
Lim Ghee	602,645,787	–	602,645,787	40%

*Note:* These directors were deemed to have corporate interests in the shares in the Company by virtue of their beneficial interests in the shares in Hong Fok Corporation Limited ("HFC"), a substantial shareholder of the Company. The 602,645,787 shares represented the same interests and were duplicated amongst these directors.

(ii) *Options to subscribe for ordinary shares of the Company*

Name of director	Number of share options at 1 January and 30 June 2004		Exercise period	Exercise price
				HK\$
Cheong Pin Chuan, Patrick	30,000,000	3 January 2000 to 10 July 2004	0.268	
Cheong Kim Pong	30,000,000	3 January 2000 to 10 July 2004	0.268	
Cheong Pin Seng	30,000,000	3 January 2000 to 10 July 2004	0.268	
Cheong Sim Eng	30,000,000	3 January 2000 to 10 July 2004	0.268	
	<u>120,000,000</u>			

The above share options were granted on 3 January 2000. Subsequent to 30 June 2004, the 120 million share options expired unexercised on 10 July 2004.

(iii) Long positions in shares of an associated corporation – HFC

Name of director	Type of interests and number of shares held				Total	Percentage
	Personal	Family	Corporate Note (a)	Other Note (b)		
Cheong Pin Chuan, Patrick	5,163,140	1,125,300	88,054,912	121,336,000	215,679,352	35.97%
Cheong Kim Pong	2,571,980	503,000	88,054,912	121,336,000	212,465,892	35.43%
Cheong Pin Seng	3,024,376	101,200	88,048,312	121,336,000	212,509,888	35.44%
Cheong Sim Eng	58,896,000	207,000	21,877,512	121,336,000	202,316,512	33.74%
Lim Ghee	6,619,092	–	–	121,336,000	127,955,092	21.34%

Notes:

- (a) These shares were beneficially held by a number of companies in which the directors had beneficial interests.
- (b) These shares were beneficially held by Winfoong Holding Limited, a wholly-owned subsidiary of the Company. The directors are deemed to have interests in the shares in HFC by virtue of their direct and indirect interests in the Company.

Save as disclosed above, as at 30 June 2004, none of the directors and the chief executive of the Company were under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

#### DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the sections headed “Directors’ interests” above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company’s directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

#### SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS’ INTERESTS

At 30 June 2004, the following persons (not being directors or chief executive of the Company) had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Notes	Number of shares held			Percentage
		Direct	Indirect	Total	
HFL International Consortium Limited (“HFL”)		555,202,784	–	555,202,784	37%
Hong Fok Enterprises Limited (“HFE”)	(i)	–	555,202,784	555,202,784	37%
Hong Fok Investment Holding Company, Limited (“HFIH”)	(ii)	47,443,003	555,202,784	602,645,787	40%
HFC	(iii)	–	602,645,787	602,645,787	40%
Barragan Trading Corp.		285,312,566	–	285,312,566	19%
Praise Time Co Limited		136,000,000	–	136,000,000	9%

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*Notes:*

- (i) HFE was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFL, did in the issued share capital of the Company by virtue of HFE's interest in HFL.
- (ii) HFIH was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFE, did in the issued share capital of the Company by virtue of HFIH's interest in HFE. In addition, HFIH was directly interested in approximately 3.0% of the issued share capital of the Company.
- (iii) HFC was deemed to have the same beneficial interests as its wholly-owned subsidiary, HFIH, did in the issued share capital of the Company by virtue of HFC's interests in HFIH.

Save as disclosed above, no other person was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 30 June 2004.

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

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

#### **CODE OF BEST PRACTICE**

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

ON BEHALF OF THE BOARD

**Cheong Pin Chuan, Patrick**  
*Chairman*

Hong Kong  
13 August 2004