



Goldlion[®]

Goldlion Holdings Limited

Interim Report 2004

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	<i>Note</i>	Unaudited	
		Six months ended	
		30.6.2004	30.6.2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	257,988	248,025
Cost of sales		<u>(106,713)</u>	<u>(121,983)</u>
Gross profit		151,275	126,042
Other revenues	2	1,632	1,547
Other operating income		3,430	–
Selling and distribution costs		(68,328)	(55,884)
Administrative expenses		<u>(45,999)</u>	<u>(43,382)</u>
Operating profit	3	42,010	28,323
Finance costs		<u>–</u>	<u>–</u>
Profit before taxation		42,010	28,323
Taxation	4	<u>(11,151)</u>	<u>(7,432)</u>
Profit after taxation		30,859	20,891
Minority interests		<u>(187)</u>	<u>(800)</u>
Profit attributable to shareholders		<u>30,672</u>	<u>20,091</u>
Proposed interim dividend	5	<u>18,742</u>	<u>14,057</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share – basic	6	<u>3.27</u>	<u>2.14</u>



CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2004 AND 31ST DECEMBER 2003

		Unaudited 30.6.2004 <i>HK\$'000</i>	Audited 31.12.2003 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Fixed assets	7	1,184,641	1,185,096
Deferred tax assets	11	28,505	24,093
		<u>1,213,146</u>	<u>1,209,189</u>
Current assets			
Stocks		88,736	97,573
Trade debtors	8	20,265	26,273
Prepayments and deposits		17,588	15,624
Bank balances and cash		370,745	340,141
		<u>497,334</u>	<u>479,611</u>
Current liabilities			
Creditors and bills payables	9	22,129	27,530
Other payables and accruals		109,642	98,425
Taxation payable		13,911	2,846
		<u>145,682</u>	<u>128,801</u>
Net current assets		<u>351,652</u>	<u>350,810</u>
Total assets less current liabilities		<u>1,564,798</u>	<u>1,559,999</u>
Financed by:			
Share capital	10	93,711	93,711
Reserves		1,354,959	1,343,088
Proposed dividend		18,742	28,113
Shareholders' funds		1,467,412	1,464,912
Minority interests		2,072	1,885
Non-current liabilities			
Deferred tax liabilities	11	95,314	93,202
		<u>1,564,798</u>	<u>1,559,999</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Unaudited	
	Six months ended	
	30.6.2004	30.6.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity as at 1st January	1,464,912	1,473,333
Deficit on revaluation of investment properties		
– Gross	(1,346)	(1,773)
– Taxation	444	585
Exchange differences arising on translation of the accounts of foreign subsidiaries	843	24
Net losses not recognised in the consolidated profit and loss account	(59)	(1,164)
Profit attributable to shareholders	30,672	20,091
Dividend	(28,113)	(18,742)
Total equity as at 30th June	1,467,412	1,473,518


CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Unaudited	
	Six months ended	
	30.6.2004	30.6.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	62,205	49,875
Net cash used in investing activities	(4,088)	(2,241)
Net cash used in financing activities	(28,113)	(19,967)
Increase in cash and cash equivalents	30,004	27,667
Cash and cash equivalents at 1st January	340,141	260,251
Effect of foreign exchange rate changes	600	15
Cash and cash equivalents at 30th June	<u>370,745</u>	<u>287,933</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>370,745</u>	<u>287,933</u>

**NOTES TO THE CONDENSED INTERIM ACCOUNTS****1. Basis of preparation and accounting policies**

The unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 – “Interim financial reporting”, which is issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

These condensed interim accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

2. Revenues and segment information

The Group is principally engaged in distribution and manufacturing of garments, leather goods and accessories and property investments. Revenues recognised during the period are as follows:

	Six months ended	
	30.6.2004	30.6.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of goods	222,166	218,781
Gross rental income from investment properties	22,531	19,513
Building management fee	2,066	1,456
Licensing income	11,225	8,275
	<u>257,988</u>	<u>248,025</u>
Other revenues		
Interest income	1,632	1,538
Dividend income from trading investments	–	9
	<u>1,632</u>	<u>1,547</u>
Total revenues	<u><u>259,620</u></u>	<u><u>249,572</u></u>



NOTES TO THE CONDENSED INTERIM ACCOUNTS (Continued)

2. Revenues and segment information (Continued)

Primary reporting format – business segment

The Group is organised into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories

Property investments – Investments in properties in China Mainland, Hong Kong SAR and Singapore

There are no material transactions between the business segments except for office rental charge.

An analysis of the Group's segment information by business segments is set out as follows:

	Six months ended 30.6.2004				Six months ended 30.6.2003			
	Apparel		Property		Apparel		Property	
	investments	Eliminations	Group	investments	Eliminations	Group	Group	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	233,391	24,597	-	257,988	227,056	20,969	-	248,025
Inter-segment sales	-	1,776	(1,776)	-	-	3,166	(3,166)	-
	<u>233,391</u>	<u>26,373</u>	<u>(1,776)</u>	<u>257,988</u>	<u>227,056</u>	<u>24,135</u>	<u>(3,166)</u>	<u>248,025</u>
Segment results	<u>39,177</u>	<u>17,519</u>		56,696	<u>30,345</u>	<u>10,017</u>		40,362
Unallocated costs				(14,686)				(12,039)
Operating profit				42,010				28,323
Finance costs				-				-
Profit before taxation				42,010				28,323
Taxation				(11,151)				(7,432)
Profit after taxation				30,859				20,891
Minority interests				(187)				(800)
Profit attributable to shareholders				<u>30,672</u>				<u>20,091</u>

**NOTES TO THE CONDENSED INTERIM ACCOUNTS** (Continued)**2. Revenues and segment information** (Continued)*Secondary reporting format – geographical segment*

The Group operates in the following three geographical areas:

China Mainland – Apparel and property investments

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

An analysis of the Group's segment information by geographical segments is as follows:

	Six months ended 30.6.2004		Six months ended 30.6.2003	
	Turnover HK\$'000	Segment results HK\$'000	Turnover HK\$'000	Segment results HK\$'000
Geographical segments				
China Mainland	197,019	49,768	196,134	37,760
Hong Kong SAR	21,942	4,092	19,814	(1,002)
Singapore and Malaysia	38,174	3,877	30,949	4,493
Other countries	853	(1,041)	1,128	(889)
	<u>257,988</u>	56,696	<u>248,025</u>	40,362
Unallocated costs		<u>(14,686)</u>		<u>(12,039)</u>
Operating profit		<u>42,010</u>		<u>28,323</u>


NOTES TO THE CONDENSED INTERIM ACCOUNTS (Continued)

3. Operating profit

	Six months ended	
	30.6.2004	30.6.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>

Operating profit is stated after charging and crediting the following:

Charging

Cost of stocks sold	86,675	113,714
Net provision for slow moving stocks	14,709	3,815
Outgoings in respect of investment properties	5,329	4,454
Depreciation	8,786	10,608
	<u> </u>	<u> </u>

Crediting

Gain on disposal of properties	3,430	-
	<u> </u>	<u> </u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the regions/countries in which the Group operates.

The amount of taxation charged/(credited) to the condensed consolidated profit and loss account represents:

	Six months ended	
	30.6.2004	30.6.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>

Hong Kong profits tax		
– Under provision in prior periods	1	69
	-----	-----
Overseas taxation		
– Current period	13,006	1,358
– Over provision in prior periods	-	(686)
	-----	-----
	13,006	672
	-----	-----
Deferred taxation	(1,856)	6,691
	-----	-----
Taxation charges	11,151	7,432
	<u> </u>	<u> </u>

**NOTES TO THE CONDENSED INTERIM ACCOUNTS** *(Continued)***5. Proposed interim dividend**

	Six months ended	
	30.6.2004	30.6.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend, proposed of 2 HK cents (2003: 1.5 HK cents) per ordinary share	<u>18,742</u>	<u>14,057</u>

Note: At a meeting held on 6th September 2004, the Directors declared an interim dividend of 2 HK cents per share. This proposed dividend is not reflected as a dividend payable in the condensed interim accounts but will be reflected as an appropriation of retained earnings for the year ending 31st December 2004.

6. Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$30,672,000 (six months ended 30th June 2003: HK\$20,091,000).

The basic earnings per share is based on the weighted average number of 937,114,035 (six months ended 30th June 2003: 937,114,035) shares in issue during the period.

No fully diluted earnings per share is presented as no share options were outstanding during the six months ended 30th June 2003 and 30th June 2004.

7. Capital expenditure

	Fixed assets <i>HK\$'000</i>
Net book value at 1.1.2004	1,185,096
Additions	13,777
Disposals	(4,342)
Depreciation	(8,786)
Revaluation	(1,346)
Translation differences	<u>242</u>
Net book value at 30.6.2004	<u><u>1,184,641</u></u>


NOTES TO THE CONDENSED INTERIM ACCOUNTS (*Continued*)

8. Trade debtors

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 30th June 2004, the ageing analysis of the trade debtors, net of provision, was as follows:

	30.6.2004	31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	13,385	16,613
31-90 days	6,780	7,405
Over 90 days	100	2,255
	<u>20,265</u>	<u>26,273</u>

9. Creditors and bills payables

At 30th June 2004, the ageing analysis of the creditors and bills payables was as follows:

	30.6.2004	31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	9,291	17,230
31-90 days	4,974	3,717
Over 90 days	7,864	6,583
	<u>22,129</u>	<u>27,530</u>

10. Share capital

	30.6.2004	31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
1,200,000,000 (31.12.2003: 1,200,000,000) shares of HK\$0.10 each	<u>120,000</u>	<u>120,000</u>
<i>Issued and fully paid:</i>		
937,114,035 (31.12.2003: 937,114,035) shares of HK\$0.10 each	<u>93,711</u>	<u>93,711</u>

**NOTES TO THE CONDENSED INTERIM ACCOUNTS** (Continued)**11. Deferred taxation**

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on the net deferred tax liabilities account is as follows:

	Six months ended 30.6.2004 HK\$'000	Year ended 31.12.2003 HK\$'000
At the beginning of the period/year	69,109	54,970
Deferred taxation (credited)/charged to profit and loss account	(1,856)	14,264
Deferred taxation credited to investment properties revaluation reserves	(444)	(125)
	<u>66,809</u>	<u>69,109</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the condensed consolidated balance sheet.

	30.6.2004 HK\$'000	31.12.2003 HK\$'000
Deferred tax assets	(28,505)	(24,093)
Deferred tax liabilities	95,314	93,202
	<u>66,809</u>	<u>69,109</u>

12. Appropriation to reserves

During the period, none of the Group's subsidiaries established in the People's Republic of China has transferred any retained profits to the PRC statutory reserves (six months ended 30th June 2003: HK\$662,000).


NOTES TO THE CONDENSED INTERIM ACCOUNTS (*Continued*)

13. Commitments

- (a) At 30th June 2004, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	30.6.2004	31.12.2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental receivables		
– not later than one year	42,581	36,349
– later than one year and not later than five years	92,587	96,732
– later than five years	62,035	68,141
	<u>197,203</u>	<u>201,222</u>
Rental payables		
– not later than one year	2,265	2,551
– later than one year and not later than five years	2,324	1,199
	<u>4,589</u>	<u>3,750</u>

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

- (b) The Company did not have any other significant commitments at 30th June 2004 (31st December 2003: Nil).

14. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Six months ended	
		30.6.2004	30.6.2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Building management fees paid to a related company	<i>(a)</i>	304	369
Professional fees paid to a related company	<i>(b)</i>	350	330
Rental paid to a related company	<i>(c)</i>	432	–
		<u> </u>	<u> </u>



NOTES TO THE CONDENSED INTERIM ACCOUNTS *(Continued)*

14. Related party transactions *(Continued)*

Notes:

- (a) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. The fees were charged monthly at a fixed amount. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.
- (b) Equitas Capital Limited acted as financial advisor to the Group during the period for which professional fees of HK\$350,000 were paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive director of the Company, is the managing director of, and a principal shareholder in Equitas Capital Limited.
- (c) Rentals were paid to Guangzhou Goldlion City Properties Company Limited at a fixed monthly rate of HK\$72,000 during the period for lease of office area in Goldlion Digital Network Centre. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

For the six months ended 30th June 2004, the total turnover of the Group amounted to HK\$257,988,000, which represented an increase of 4% compared with the same period last year. During the period under review, growth was recorded in the Group's various major avenues of income including sales of goods, gross rental from investment properties and licensing income.

For the six months ended 30th June 2004, the profit attributable to shareholders increased by 53% to HK\$30,672,000 from HK\$20,091,000 for the same period last year. The substantial increase in profit attributable to shareholders was due largely to the Group's successful strategy in upgrading its marketing for apparel products, which contributed to an overall increase in sales, and its effective measures in lowering production costs. Moreover, the Group's operation in property investment and rental business recorded an increased return during the period.

Business Review

Apparel Business

China Mainland Market:

During the first half of this year, the Group's apparel business in China Mainland continued to enjoy steady growth despite keen competition, which was a result of the Group's effective adjustment of its business strategies that aimed at increasing profitability.

The style of the latest Goldlion products launched during the period was overall more fashionable and young looking. Comprehensive improvements in style, design, materials and packaging have succeeded in further enhancing the image of the products in season, which were widely accepted by the market.

During the period, the Group adopted further effective cost control measures including reviewing its operation procedures and reducing unnecessary production costs. Whilst having succeeded in maintaining the quality of its products, the Group used fabrics with lower costs through very careful selection of materials.

The Group also continued to expand the sales outlets in prime locations and those with remarkable sales records. New decorations were made to these sales outlets with a view to adopting a new image for Goldlion.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Business Review *(Continued)*

Apparel Business *(Continued)*

China Mainland Market: (Continued)

In addition, the advance ordering system of the Group's China Mainland operation was further improved after detailed studies including the reasons why distributors did not make purchases in accordance with their ordered plans. Subsequent measures were then adopted in order to ensure that such purchases would be made based on ordered plans.

Singapore and Malaysia Markets:

The Group's Singapore operations continued to record outstanding growth with an increase of 24% in turnover compared with the same period last year. The Group's products maintained strong sales records and dominated the sales of the relevant category of products in major department stores. During the period under review, the Group's market share continued to increase and gradually widening the gap between itself and its major competitors.

Coupled with substantial improvement in the local economy, the Group's further strengthening of marketing campaigns succeeded in boosting sales.

Sales in Malaysia were steady and recorded a 4% increase compared with the same period last year. Moreover, the operation continued to be a profit contributor to the Group.

Hong Kong Market:

The sales of the Group's apparel products in Hong Kong during the period increased by 14% compared with the same period last year. This was a result of an improvement in consumers sentiment, which was due largely to the individual travel scheme.

At present, the Group has seven counters, one shop and an established consignment network in major department stores in Hong Kong. The Group continued to upgrade the quality and style of its products in order to meet the needs of its valuable customers. During the period under review, the Group has also strengthened its corporate and uniform dressing operation and the initial response was encouraging.

**MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)***Business Review** *(Continued)*Apparel Business *(Continued)**Licensing Income:*

Licensing income during the period increased by 36% compared with the same period last year and continued to provide a stable source of income to the Group. The increase was due largely to the appointment of licensees for jewellery products, undergarments and woolen sweaters for the China market starting from the second half of last year.

During the period, the Group has also strengthened support to its licensees and closely monitored the use of their respective licenses in order to maintain the integrity of its brand image.

Property Investment

For the first half of this year, the Group's rental income of HK\$22,531,000 increased by 15% compared with the same period last year. The rental incomes derived from major properties of the Group were all better than last year. The Group has also consolidated its property portfolio during the period in order to enhance its value and return, which included the acquisition of twelve high-quality new residential flats in Guangzhou in June this year. These flats were to be leased as service apartments and the initial response was good. During the period, the Group has disposed of a property in Guangzhou, which had been held for many years, for a profit of HK\$3,430,000.

Rental income from the Group's Goldlion Digital Network Centre in Tianhe, Guangzhou, with a nearly 100% occupancy rate, increased by 13% compared with the same period last year. The Group aimed at adding value to the building and maintaining a high standard of property management. The building is located in a prime location and, as a result, its rental stands at the top level of the domestic market. Currently, most of the tenants are large domestic or multinational enterprises.

The performance of the Group's "Goldlion Commercial Building" in Shenyang has improved with a substantial growth of 45% in rental income following adjustments to its leasing strategy last year. Currently, the building is almost fully occupied and the rental income is within expectation.

During the period, the rental of the domestic property market has continued to increase, thus benefiting the Group's local property investments operation. Total rental income increased by 8% compared with the same period last year. The performance of the Group's Goldlion Holdings Centre in Shatin has improved and the entire building of No. 3 Yuk Yat Street, To Kwa Wan was let out at the end of last year.



MANAGEMENT DISCUSSION AND ANALYSIS (*Continued*)

Prospects

In view of the upturn in the business environment and the spending sentiment of the customers of the Group's main markets, the management is optimistic towards the business outlook for the second half of this year.

With increased efficacy in cost control measures adopted by the management in the first half of this year, the Group will continue to strengthen cost control in order to maximize its overall profitability. Furthermore, the Group will continue to devote its effort in introducing high-quality fashionable products in order to enhance the customer appeal of its product lines.

Lastly, to further develop its brand label, the Group plans to uplift its brand image by focusing on new product development, enhancing cooperation with distributors and re-decorating its sales outlets.

Considering the rebound of the property market overall, the Group anticipates a solid growth in its property investment business thus contributing more profit to the Group in the second half of this year.

Financial Position

The Group continued to adopt a prudent financial control policy during the period. As at 30th June 2004, the Group's cash and bank balances amounted to HK\$370,745,000, which was HK\$30,604,000 higher than that at the end of last year. The increase mainly represented a net cash inflow from operating activities during the period.

The financial position of the Group is strong. As at 30th June 2004, the Group's current assets and liabilities were HK\$497,334,000 and HK\$145,682,000 respectively, with current ratio at 3.4. Total current liabilities were only 10% of the average shareholders' funds of HK\$1,466,162,000.

Currently the Group has sufficient cash on hand. All operating payments are financed by internal resources. As at 30th June 2004, the Group did not have any bank loans or overdrafts.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Financial Position *(Continued)*

With extensive business presence in China Mainland and Singapore, the Group is exposed to risks of exchange rate fluctuations in these regions. During the period, the exchange rates of the currencies in these regions were relatively stable and most of the Group's purchases were made directly from the domestic suppliers and settled in local currencies. As such, the related foreign exchange risk was reduced. The Group did not carry out any hedging activities against any foreign exchange risk during the period.

As at 30th June 2004, the Group did not have any material contingent liabilities or capital commitments and did not charge any of the Group's assets.

Human Resources

At 30th June 2004, the Group has approximately 1,000 employees. The employees' remuneration packages are determined mainly on various factors including job nature, individual performance, qualification, experience and market conditions, and are usually reviewed on an annual basis. The Group also provides other benefits to its employees and training as and when required.



OTHER INFORMATION

Interim Dividend

The Directors have recommended the payment of an interim dividend of 2 HK cents per share (2003: 1.5 HK cents per share) for the year ending 31st December 2004, totalling HK\$18,742,000 (2003: HK\$14,057,000), which is expected to be payable on or about 5th October 2004 to shareholders whose names appear on the Register of Members as at 24th September 2004.

Closure of Register of Member

Register of Members of the Company will be closed from 23rd September 2004 to 24th September 2004 (both days inclusive), during which period no transfer will be effected.

In order to qualify for the above-mentioned interim dividend, all transfers accompanied by the relevant shares certificates must be lodged by 4:00 p.m. on Wednesday, 22nd September 2004 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queens's Road East, Hong Kong.

Purchase, Sale or Redemption of Shares

The Company did not redeem any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Share Options

At the Extraordinary General Meeting of the Company held on 21st May 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in the service of the Group and other persons who may make a contribution to the Group.

During the six months ended 30th June 2004, no options have been granted under the New Option Scheme or any scheme previously operated by the Company and no options were outstanding during the period.



OTHER INFORMATION (Continued)

Directors' and Chief Executives' Interests in Equity or Debt Securities

At 30th June 2004, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK\$0.10 each in the Company at 30th June 2004

Directors		Number of shares held			Total	Percentage to total issued share capital
		Personal interests	Family interests (Note 1)	Other interests (Note 2)		
Tsang Hin Chi	Long positions	-	1,210,000	565,440,750	566,650,750	60.47%
	Short positions	-	-	-	-	-
Tsang Chi Ming, Ricky	Long positions	1,404,000	-	565,440,750	566,844,750	60.49%
	Short positions	-	-	-	-	-
Wong Lei Kuan	Long positions	1,210,000	-	565,440,750	566,650,750	60.47%
	Short positions	-	-	-	-	-

Note:

1. Mdm. Wong Lei Kuan is the wife of Dr. Tsang Hin Chi. Her shareholding disclosed under the heading "personal interests" in the above table is the family interest of Dr. Tsang Hin Chi.
2. The shareholdings disclosed by Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Mdm. Wong Lei Kuan under the heading "other interests" in the above table refer to the same shares which were held by HSBC International Trustee Limited for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation as disclosed in the paragraph headed "Substantial shareholders" below.

Save as disclosed above, as at 30th June 2004, none of the Directors and Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO.

Save as disclosed above, at no time during the six months ended 30th June 2004 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER INFORMATION (Continued)**Substantial Shareholders**

As at 30th June 2004, the register of substantial shareholders maintained under section 336 of the SFO shows that as at 30th June 2004 the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of holder of securities	Type of securities		Securities held for (Note)			Total	Percentage to total issued share capital
			Gold Trustee Holding Corporation Number	Silver Trustee Holding Corporation Number	Others Number		
HSBC International Trustee Limited	Ordinary shares of \$0.10 each	Long positions	339,530,000	225,910,750	-	565,440,750	60.34%
		Short positions	-	-	-	-	-
Silver Disk Limited	Ordinary shares of \$0.10 each	Long positions	-	-	158,022,000	158,022,000	16.86%
		Short positions	-	-	-	-	-
Tsang Hin Chi Charities (Management) Limited	Ordinary shares of \$0.10 each	Long positions	-	-	53,880,750	53,880,750	5.75%
		Short positions	-	-	-	-	-

Note: HSBC International Trustee Limited held shares for Gold Trustee Holding Corporation and Silver Trustee Holding Corporation as set out above. Gold Trustee Holding Corporation and Silver Trustee Holding Corporation act as trustees, respectively, for the Gold Unit Trust and the Silver Unit Trust, which units (other than 2 units each of which are beneficially owned by Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan respectively) are beneficially owned by the Tsang Family Trust.



OTHER INFORMATION (*Continued*)

Corporate Governance

The Company has complied with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the independent non-executive Directors of the Company have not been appointed for a specific term but they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Articles of Association.

In compliance with the requirement with The Stock Exchange of Hong Kong Limited, an Audit Committee was formed. The primary duties of the Audit Committee are (i) to review the Company's annual reports and accounts and half year report, (ii) to provide advice and comments to the Board of Directors, and (iii) to review and supervise the financial reporting process and internal control procedures of the Group. At present, the Audit Committee has four members including Dr. the Hon. Wong Yu Hong, Philip, Mr. Lau Yue Sun and Mr. Wong Ying Ho, Kennedy, all of them are independent non-executive Directors, and Mr. Ng Ming Wah, Charles, a non-executive Director of the Company.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim accounts. At the request of the Board of Directors, the Group's external auditors have carried out a review of the unaudited interim accounts in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

BOARD OF DIRECTORS

As at the date of this report, the Directors of the Company are Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky, Madam Wong Lei Kuan, Mr. Ng Ming Wah, Charles, Dr. the Hon. Wong Yu Hong, Philip, Mr. Lau Yue Sun and Mr. Wong Ying Ho, Kennedy.

On behalf of the Board
Tsang Hin Chi
Chairman

Hong Kong, 6th September 2004