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**CHINA FAIR LAND HOLDINGS LIMITED**

**正輝中國集團有限公司\***

*(Incorporated in the Bermuda with limited liability)*

\*For identification only

INTERIM REPORT

2004

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## FINANCIAL HIGHLIGHTS

	Six month ended 30 June		
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	Change %
Turnover			
Sales of developed properties	<b>31,292</b>	67,777	-53.83
Sales of land	—	12,389	-100.00
Total turnover	<b>31,292</b>	80,166	-60.97
Profit from operations	<b>12,819</b>	17,210	-25.51
Profit attributable to shareholders	<b>8,213</b>	9,232	-11.04
Basic earnings per share	<b>2.81 cents</b>	3.16 cents	-11.04

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30th June, 2004, the Group recorded a turnover of approximately HK\$31,292,000, representing a decrease of approximately 60.97% in comparison to the corresponding period in 2003. There were no sales of land for the six months ended 30th June, 2004 (2003: HK\$12,389,000). Turnover only represented the sales of developed properties amounted to approximately HK\$31,292,000 (2003: HK\$67,777,000), which mainly contributed by the sales of developed properties of Fanjin Garden and Fortune Garden in Ningbo, Changchun Haoyuan in Changchun and Village Garden in Shanghai.

The decrease of the Group's sales of Gross Floor Area ("GFA") is mainly caused by the drop of completion of GFA in the first half of the year. Approximately 80,000 sq.m. of GFA are scheduled to be completed in the second half of the year 2004, which mainly contributed by the Fenghua project in Ningbo ("Prosperous Age Garden"). As at 30th June, 2004, the construction of Prosperous Age Garden is approximately 60% completed. The pre-sale permit has been granted in May 2004. At the end of July, 2004, approximately HK\$100 million of sales contracts have already been signed.

Despite the drop of sales for the six months ended 30th June, 2004, the Group still manages a profit attributable to shareholders of approximately HK\$8,213,000, which represents a decrease of approximately 11.04% in comparison to the corresponding period in 2003.

The Company has announced that on 19th July, 2004, a subsidiary, Changchun Changxin International Real Estate Development Co Ltd. (the "Changchun Changxin"), entered into the lease agreement with lessees whereby the Group will construct and deliver for rental, certain industrial buildings on a piece of land which it owns in Changchun to the lessees before 20th November, 2004 as specified in the lease agreement and for a term of fifteen years from 20th November, 2004. The total site area of the properties is approximately 71,374 sq.m. The total rent payable by the lessees to the Changchun Changxin under the entire term of the lease agreement is approximately HK\$189,640,000. The construction is in progress and is expected to be finished on time. The directors consider that the entering into the lease agreement provided a good source of income for the Group.

## MARKET REVIEW

In the first half of 2004, the GDP growth in the PRC reached 9.7%. According to the statistics released by government, the investment in fixed assets increased 31% in comparison to the corresponding period in 2003. Fast economic growth in the PRC has resulted in overheat in certain industries. The PRC government has implemented the macroeconomic-control measures in a bid to make effective progression to maintain a healthy and sustainable development of the PRC economy.

## FINANCIAL REVIEW

### Net assets

As at 30th June, 2004, the Group recorded total assets and total liabilities of approximately HK\$561,937,000 and HK\$285,550,000 respectively. The Group had net assets as at 30th June, 2004 approximately HK\$238,313,000 as compared to approximately HK\$238,878,000 as at 31st December, 2003. The Group's net assets remain steady after a final dividend of 3 HK cents per share for the year ended 31st December, 2003 was declared.

### Liquidity and financial ratios

The Group had total bank balances and cash of approximately HK\$95,998,000 as at 30th June, 2004 as compared with HK\$35,746,000 as at 31st December, 2003. As at 30th June, 2004, the current ratio was 1.88 as compared with 2.26 as at 31st December, 2003. The gearing ratio was 50.82% as at 30th June, 2004 as compared with 42.70% as at 31st December, 2003. The bank borrowings to equity was recorded at 30.88% as at 30th June, 2004 as compared with 3.6% as at 31st December, 2003.

### Borrowings

The Group had interest bearing borrowings of approximately HK\$78.7 million as at 30th June, 2004 (31st December, 2003: HK\$39.4 million), representing an increase of approximately 99.8% over the amount as at 31st December, 2003. All borrowings were denominated in Renminbi ("RMB"). Approximately 56.34% of the borrowings is repayable within one year and the rest representing the bank loans of HK\$29.2 million and the loans from minority interests of HK\$5.1 million, which will not be demanded for repayment within one year.

### Foreign currency exposure

Although significant portions of the Group's borrowings, turnover and construction costs are primarily denominated in RMB, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the RMB. The Directors also consider that there will be sufficient cash resources denominated in both HK\$ and RMB for the repayment of its borrowings. During the period under review, the Group did not use any financial instrument for hedging purposes and the Group did not have hedging instrument outstanding as at 30th June, 2004.

### Financial Policy

The Group continued to handle financial risks in a prudent manner and is actively adopting corporate management standards at international level in order to ensure maximum protection for the interests of shareholders.

### STAFF

As at 30th June, 2004, the Group employed approximately 68 full time staffs in the PRC and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market price while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidised educational and training programmes as well as share option scheme.

### MATERIAL ACQUISITION AND DISPOSAL

There is no material acquisition and disposal of subsidiary and assets during the six months ended 30th June, 2004.

### OUTLOOK

The PRC economy grew 9.1% in the year 2003. The PRC government tries to slow down the economy in recent months to avoid the impact of overheated economy. However, the PRC government still aims for the GDP growth of 7% in the year 2004, the directors expect the property market in PRC will continue to be robust in both industrial and residential sector.

The Prosperous Age Garden in Ningbo has already provoked strong sales reaction. Upon the completion of the project, the downward sales trend is expected to be revised in the second half of the year 2004. The Group continues to place great emphases on land bank replenishment for the Group's future development.

## INDEPENDENT REVIEW REPORT

### TO THE BOARD OF DIRECTORS OF CHINA FAIR LAND HOLDINGS LIMITED

正輝中國集團有限公司

#### Introduction

We have been instructed by China Fair Land Holdings Limited (the "Company") to review the interim financial report set out on pages 7 to 17.

#### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Review work performed

We conducted our review in accordance with the Statement of Auditing Standards No. 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group's management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2004.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23rd September, 2004

**CONDENSED CONSOLIDATED INCOME STATEMENT***For the Six Months Ended 30th June, 2004*

	Notes	<b>1.1.2004 to 30.6.2004 HK\$'000 (Unaudited)</b>	1.1.2003 to 30.6.2003 HK\$'000 (Unaudited)
Turnover	3	<b>31,292</b>	80,166
Cost of sales		<b>(19,287)</b>	(52,449)
Gross profit		<b>12,005</b>	27,717
Other operating income		<b>617</b>	1,344
Land demolishing and compensation income		<b>7,249</b>	—
Management fee income		<b>4,725</b>	—
Distribution costs		<b>(915)</b>	(1,491)
Administrative expenses		<b>(10,862)</b>	(10,360)
Profit from operations		<b>12,819</b>	17,210
Finance costs		<b>(488)</b>	(3,128)
Profit before taxation		<b>12,331</b>	14,082
Taxation	5	<b>(1,902)</b>	(5,502)
Profit before minority interests		<b>10,429</b>	8,580
Minority interests		<b>(2,216)</b>	652
Profit attributable to shareholders		<b>8,213</b>	9,232
Earnings per share			
— basic (HK cents)	7	<b>2.81</b>	3.16



**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th June, 2004

	Notes	<b>30.6.2004</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31.12.2003 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		<b>13,868</b>	13,868
Property, plant and equipment	8	<b>11,520</b>	11,013
Properties under development		<b>69,927</b>	69,927
		<b>95,315</b>	94,808
<b>Current assets</b>			
Properties under development		<b>109,565</b>	108,094
Properties held for sale		<b>114,677</b>	120,379
Property sale receivable	9	<b>29,168</b>	65,223
Other debtors, deposits and prepayments		<b>117,214</b>	61,347
Bank balances and cash		<b>95,998</b>	35,746
		<b>466,622</b>	390,789
<b>Current liabilities</b>			
Customers' deposits received		<b>67,051</b>	2,876
Creditors and accrued charges	10	<b>59,333</b>	92,756
Amount due to an intermediate holding company		<b>964</b>	741
Amounts due to minority shareholders		<b>3,668</b>	3,365
Dividend payable		<b>8,778</b>	—
Taxation payable		<b>63,762</b>	64,940
Bank borrowings	11	<b>44,340</b>	8,572
		<b>247,896</b>	173,250
Net current assets		<b>218,726</b>	217,539
Total assets less current liabilities		<b>314,041</b>	312,347

	Notes	<b>30.6.2004</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31.12.2003 HK\$'000 (Audited)
Minority interests		<b>38,074</b>	39,345
Non-current liabilities			
Bank borrowings	11	<b>29,245</b>	—
Deferred taxation liabilities		<b>3,290</b>	3,290
Loans from minority shareholders		<b>5,119</b>	30,834
		<b>37,654</b>	34,124
		<b>238,313</b>	238,878
Capital and reserves			
Share capital		<b>29,260</b>	29,260
Reserves		<b>209,053</b>	209,618
Shareholders' funds		<b>238,313</b>	238,878

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the Six Months Ended 30th June, 2004*

	Share capital	Share premium	Special reserve	Investment property revaluation reserve	Leasehold land and building revaluation reserve	Goodwill	Translation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January, 2003	29,260	33,450	44,144	5,022	435	(7,669)	468	109,714	214,824
Dividend paid	—	—	—	—	—	—	—	(8,778)	(8,778)
Profit attributable to shareholders	—	—	—	—	—	—	—	9,232	9,232
As at 30th June, 2003	29,260	33,450	44,144	5,022	435	(7,669)	468	110,168	215,278
Surplus arising on revaluation at the balance sheet date and total gains not recognised in the consolidated income statement	—	—	—	283	172	—	—	—	455
Profit attributable to shareholders	—	—	—	—	—	—	—	23,295	23,295
Deferred taxation liability arising on revaluation	—	—	—	(94)	(56)	—	—	—	(150)
As at 31st December, 2003	29,260	33,450	44,144	5,211	551	(7,669)	468	133,463	238,878
Dividend declared	—	—	—	—	—	—	—	(8,778)	(8,778)
Profit attributable to shareholders	—	—	—	—	—	—	—	8,213	8,213
<b>As at 30th June, 2004</b>	<b>29,260</b>	<b>33,450</b>	<b>44,144</b>	<b>5,211</b>	<b>551</b>	<b>(7,669)</b>	<b>468</b>	<b>132,898</b>	<b>238,313</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the Six Months Ended 30th June, 2004*

	<b>1.1.2004</b> <b>to</b> <b>30.6.2004</b> <b>HK\$'000</b> <b>(Unaudited)</b>	1.1.2003 to 30.6.2003 HK\$'000 (Unaudited)
Net cash inflow from operating activities	<b>24,744</b>	21,995
Net cash outflow from investing activities	<b>(830)</b>	(238)
Net cash inflow (outflow) from financing activities	<b>36,338</b>	(34,174)
Increase (decrease) in cash and cash equivalents	<b>60,252</b>	(12,417)
Cash and cash equivalents at the beginning of the period	<b>35,746</b>	68,657
Cash and cash equivalents at the end of the period	<b>95,998</b>	56,240
Bank balances and cash	<b>95,998</b>	56,240

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the Six Months Ended 30th June, 2004*

### 1. BASIS OF PREPARATION

The Company was incorporated in Bermuda as an exempted company with limited liability under Company Act 1981 of Bermuda (as amended). Its ultimate holding company is Future Opportunity Limited, incorporated in the British Virgin Islands.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

### 2. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and leasehold land and buildings.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31st December, 2003.

### 3. SEGMENT INFORMATION

#### Business segments

	<b>1.1.2004 to 30.6.2004 HK\$'000</b>	1.1.2003 to 30.6.2003 HK\$'000
Turnover		
Sales of developed properties	<b>31,292</b>	67,777
Sales of land	—	12,389
	<b>31,292</b>	80,166
Result		
Sales of developed properties	<b>11,090</b>	20,413
Sales of land	—	5,813
	<b>11,090</b>	26,226
Other operating income	<b>617</b>	1,344
Land demolishing and compensation Income	<b>7,249</b>	—
Management fee income	<b>4,725</b>	—
Unallocated corporate expenses	<b>(10,862)</b>	(10,360)
Profit from operations	<b>12,819</b>	17,210
Finance costs	<b>(488)</b>	(3,128)
Profit before taxation	<b>12,331</b>	14,082
Taxation	<b>(1,902)</b>	(5,502)
Profit before minority interests	<b>10,429</b>	8,580
Minority interests	<b>(2,216)</b>	652
Profit attributable to shareholders	<b>8,213</b>	9,232

#### Geographical segments

All of the Group's business activities were carried out in the People's Republic of China (the "PRC"), accordingly, geographical segmental information has not been presented.

#### 4. DEPRECIATION

During the period, depreciation of approximately HK\$322,000 (2003: HK\$286,000) was charged in respect of the Group's property, plant and equipment.

#### 5. TAXATION

	<b>1.1.2004 to 30.6.2004 HK\$'000</b>	1.1.2003 to 30.6.2003 HK\$'000
The taxation charge comprises:		
PRC Enterprise Income Tax		
— Current period	<b>(2,920)</b>	(5,502)
— Overprovision in prior years	<b>1,018</b>	—
	<b>(1,902)</b>	(5,502)

The PRC Enterprise Income Tax is calculated at rates applicable to respective subsidiaries.

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising from or derived in Hong Kong for both periods.

#### 6. DIVIDEND

The directors do not recommend the payment of any interim dividend for both periods.

#### 7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$8,213,000 for the six months ended 30th June, 2004 (2003: HK\$9,232,000) and 292,600,000 shares in issue for both periods.

No diluted earnings per share figures have been presented as the Company did not have any dilutive potential ordinary shares for both periods.

## 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$830,000 (2003: HK\$238,000) on acquisition of property, plant and equipment.

## 9. PROPERTY SALE RECEIVABLE

An aged analysis of the property sale receivable is as follows:

	<b>30.6.2004</b>	31.12.2003
	<b>HK\$'000</b>	HK\$'000
Within three months	<b>4,250</b>	44,423
Four months to one year	<b>18,685</b>	17,335
Between one to two years	<b>4,331</b>	2,799
Over two years	<b>1,902</b>	666
	<b>29,168</b>	65,223

Under the Group's current credit policy on sales of developed properties, individual customer has to fully settle the purchase consideration before the Group transfers the title of the property to the customers.

For sales of land, individual customer has to substantially settle the purchase consideration before the Group transfers the title of the land to the customers.

## 10. CREDITORS AND ACCRUED CHARGES

An aged analysis of the trade creditors, included in the creditors and accrued charges, is as follows:

	<b>30.6.2004</b>	31.12.2003
	<b>HK\$'000</b>	HK\$'000
Within three months	—	2,459
Four months to one year	—	77
Over one year	<b>11,934</b>	21,688
	<b>11,934</b>	24,224



## 11. BANK BORROWINGS

During the six months ended 30th June, 2004, the net increase in borrowings amounted to HK\$65,013,000. The loans are repayable within 5 years and majority of which bear interest at prevailing market rates. The funds raised will be used to finance progress payments for properties under development.

## 12. RELATED PARTY TRANSACTIONS

	<b>1.1.2004 to 30.6.2004 HK\$'000</b>	1.1.2003 to 30.6.2003 HK\$'000
Rental paid to Chance Fair International Development Limited ("Chance Fair International") (Note)	<b>164</b>	174

Note:

The Group entered into a sub-tenancy agreement with Chance Fair International, an intermediate holding company, on 22nd May, 2001 pursuant to which Chance Fair International agreed to sub-lease a portion of the office premises to the Group. The sub-tenancy agreement was renewed for a term commencing from 20th May, 2002 to 19th May, 2003 (both dates inclusive) and 20th May, 2003 to 19th May, 2004 (both dates inclusive) at a monthly rental of approximately HK\$31,000 and HK\$25,000, respectively, exclusive of other charges.

The directors are of the opinion that the above transactions were carried out in accordance with the terms of the relevant agreement governing such transaction.

## 13. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged its properties under development and properties held for sales to a bank in the PRC to secure the credit facilities of approximately HK\$56,604,000 (2003: HK\$8,491,000). The aggregate carrying value of the properties under development and properties held for sales at 30th June, 2004 pledged amounted to approximately HK\$65,677,000 (2003: HK\$62,264,000).

## 14. CONTINGENT LIABILITIES

At 30th June, 2004, the Group had provided guarantees of approximately HK\$3,066,000 (2003: HK\$11,274,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted.

The State Administration of Tax in the PRC promulgated in July 2002 a circular to all local tax authorities requiring them to levy land appreciation tax on property developers. In the opinion of the directors, after consulting the Group's PRC tax consultants and meeting with the officials responsible for land appreciation tax of the local tax authorities of the relevant cities in which the Group has property development projects, the Group is unlikely to receive demands from the local tax authorities for the payment of land appreciation tax in respect of sales of land and developed properties for the period commencing from 1st January, 2001, the date on which the exemption period lapsed. The Group has not, however, been able to secure written confirmations from the relevant local tax authorities, but the directors consider that there is a small possibility that land appreciation tax might be levied. Against these backgrounds, no provisions for land appreciation tax have been made in these condensed financial statements. Should such levies take place, then land appreciation tax amounting to approximately HK\$67,285,000 for the period from 1st January, 2001 to 30th June, 2004 (2003: HK\$64,487,000 for the period from 1st January, 2001 to 30th June, 2003) has to be provided for in these condensed financial statements.

## 15. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group entered into a lease agreement with independent third parties for a term of fifteen years whereby the Group will construct and deliver for rental, certain industrial buildings on a piece of land owned by the Group in Changchun. Details of the lease agreement are set out in the Company's circular dated 12th August, 2004.

## DIRECTORS AND CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr. So Pang Gen

*(Chairman and managing director)*

Mr. Lam Hon-Keung, Keith

*(Deputy Chairman)*

Mr. Choi Dun Woo *(Executive director)*

Mr. Su Bangyuan *(Executive director)*

Mr. Hui Yip Wing, David

*(Independent non-executive director)*

Mr. Kee Wah Sze

*(Independent non-executive director)*

Mr. Ku Siu-Fung, Stephen

*(Independent non-executive director)*

### COMPANY SECRETARY

Ms. Hui Wai Man, Shirley

### PRINCIPAL BANKERS

The Bank of East Asia, Limited

Bank of China (Hong Kong) Ltd.

Bank of China

### AUDITORS

Deloitte Touche Tohmatsu

### REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

### PRINCIPAL OFFICE IN HONG KONG

Unit 1101, 11th Floor

Tower Two

Lippo Centre

89 Queensway

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda)  
Limited

Rosebank Centre

11 Bermudiana Road

Pembroke, Bermuda

### HONG KONG PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Standard Registrars Limited

28/F, BEA Harbour View Centre

56 Gloucester Road

Wanchai, HK

**STOCK CODE:** 169

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2004, the interests of the directors and their associates in the ordinary shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### Long position in ordinary shares of HK\$0.10 each of the Company

<b>Name of director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Mr. So Pang Gen	Held by discretionary trust*	182,470,000	62.36%

\* These shares are held by International Offshore Development Limited, a company incorporated in the British Virgin Islands. Chance Fair International Development Limited ("Chance Fair International"), a company incorporated in Hong Kong is the beneficial owner of the entire issued share capital of International Offshore Development Limited. Future Opportunity Limited, a company incorporated in the British Virgin Islands, is the beneficial owner of the entire issued share capital of Chance Fair International. Trustcorp Limited, a company incorporated in the Island of Jersey, Channel Islands which holds all the issued share capital of Future Opportunity Limited as trustee under a discretionary trust, the discretionary trust objects of which include the family members of Mr. So Pang Gen.

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

### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of SFO shows that the director and his associated corporations stated under the paragraph headed "Directors' interests in securities" is the only substantial shareholder of the Company.

Save as disclosed above, no person, other than the Directors, had registered an interest or short position in the shares or underlying shares of the Company that was required to be disclosed pursuant to Section 336 of the SFO.

## SHARE OPTIONS SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 15th May, 2002 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the issued shares of the Company from time to time. During the period under review, no options have been granted under the Scheme.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements for the six months ended 30th June, 2004 of the Group with the management.

## CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30th June, 2004, except that all independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's bye-laws.

By Order of the Board  
**So Pang Gen**  
*Chairman*

Hong Kong, 23rd September, 2004