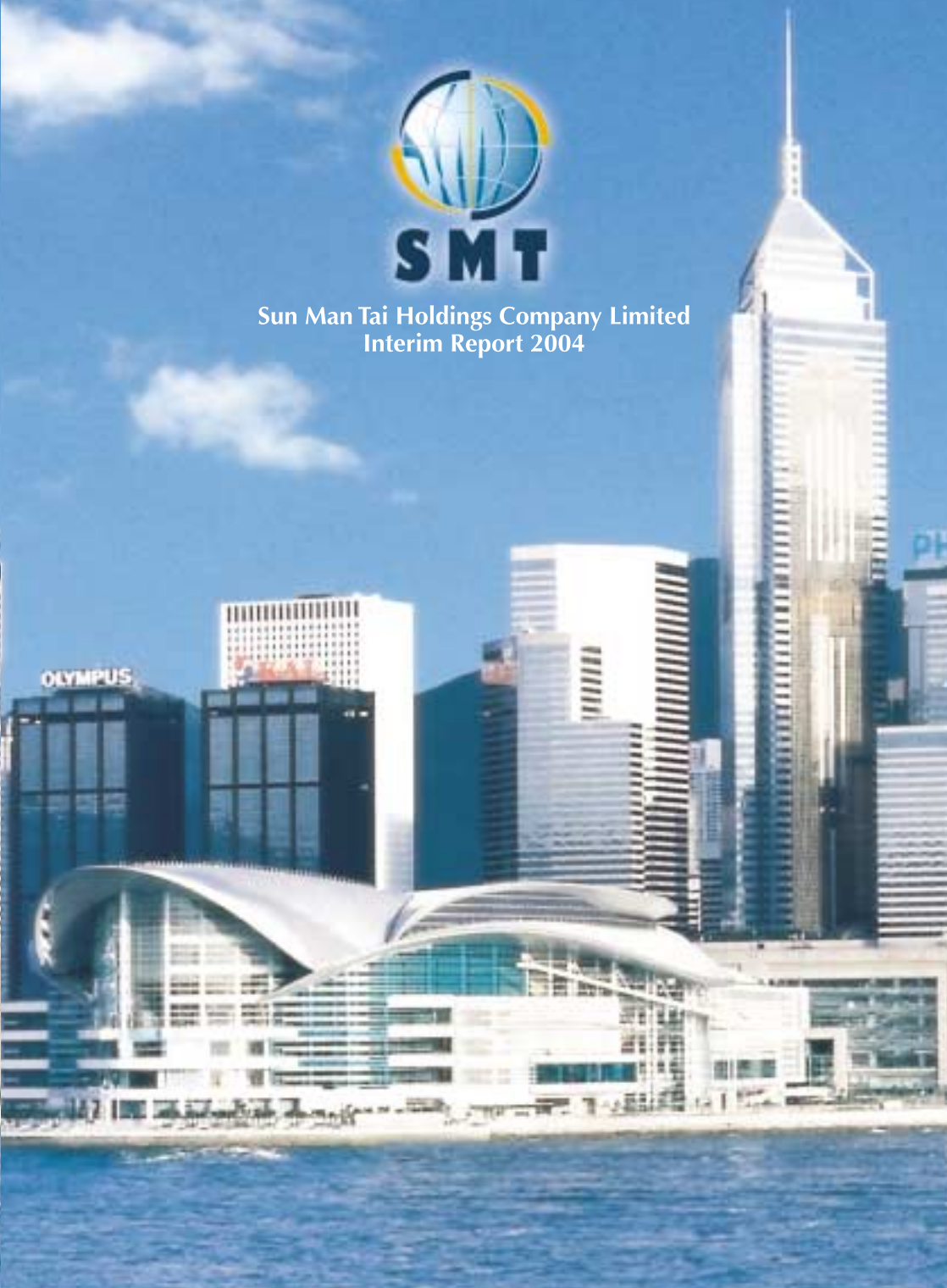




Sun Man Tai Holdings Company Limited  
Interim Report 2004



**CORPORATE INFORMATION****Directors****Executive Directors**

Xu Zhe Cheng  
Ren Jun Tao  
Chiu Yeung

**Non-executive Director**

Qian Yong Wei

**Independent Non-executive Directors**

Mu Xiangming  
Cheng Chak Ho  
Lo Wa Kei Roy

**Company Secretary**

Lui Tin Nang

**Audit Committee**

Mu Xiangming  
Cheng Chak Ho  
Lo Wa Kei Roy

**Principal Bankers**

Citic Ka Wah Bank Limited  
Wing Hang Bank Limited

**Auditors**

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*  
6/F., Wheelock House  
20 Pedder Street  
Central  
Hong Kong

**Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

**Head Office and Principal Place of Business**

Units E and F  
12th Floor  
CNT Tower  
338 Hennessy Road  
Hong Kong

**Share Registrar**

Butterfield Corporate Services Limited  
11 Rosebank Centre  
Bermudiana Road  
Hamilton  
Bermuda

**Hong Kong Branch Share Registrar and Transfer Office**

Tengis Limited  
Ground Floor  
BEA Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

**Listing Information**

The Stock Exchange of Hong Kong  
Limited  
Ordinary shares (Code: 433)

The board of directors (the “Board”) of Sun Man Tai Holdings Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2004.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
<b>Turnover</b>	2	<b>3,534</b>	4,698
Cost of sales		<u>(156)</u>	<u>(100)</u>
<b>Gross profit</b>		<b>3,378</b>	4,598
Other income, net		<b>82</b>	859
Administrative expenses		<u>(7,838)</u>	<u>(8,881)</u>
<b>Loss from operations</b>	3	<b>(4,378)</b>	(3,424)
Finance costs	4	<u>(1,383)</u>	<u>(1,246)</u>
<b>Loss before tax</b>		<b>(5,761)</b>	(4,670)
Taxation	5	<u>—</u>	<u>—</u>
<b>Loss before minority interest</b>		<b>(5,761)</b>	(4,670)
Minority interest		<u>1,373</u>	<u>370</u>
<b>Net loss from ordinary activities attributable to shareholders</b>		<b><u>(4,388)</u></b>	<b><u>(4,300)</u></b>
<b>Loss per share</b>			
Basic, HK cents	6	<u><b>(0.13)</b></u>	<u>(0.13)</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30th June 2004 (Unaudited) HK\$'000	31st December 2003 (Audited) HK\$'000
<b>Non-current assets</b>			
Fixed assets	8	224,869	225,416
Interest in joint venture		46,768	46,768
Interest in an associate		605	605
Other investments		308,466	308,466
		<u>580,708</u>	<u>581,255</u>
<b>Current assets</b>			
Accounts receivables	9	1,142	578
Prepayments, deposits and other receivables		7,643	13,594
Investment deposits		115,725	115,725
Loan receivables		31,005	31,005
Amount due from a fellow subsidiary		2,405	2,405
Cash and bank balances		28,608	37,055
		<u>186,528</u>	<u>200,362</u>
<b>Current liabilities</b>			
Current portion of bank loans and overdraft (secured)		14,049	13,906
Accounts payables	10	286	196
Other payables and accrued expenses		6,978	12,471
Amount due to ultimate holding company		—	1,060
Amount due to a director		101	101
Taxation		2,965	2,970
		<u>24,379</u>	<u>30,704</u>
<b>Net current assets</b>		<u>162,149</u>	<u>169,658</u>
<b>Total assets less current liabilities</b>		<u>742,857</u>	<u>750,913</u>
<b>Non-current liabilities</b>			
Bank loans (secured)		39,200	41,255
<b>Minority interests</b>			
		24,085	25,459
<b>Net assets</b>		<u>679,572</u>	<u>684,199</u>
<b>Capital and reserves</b>			
Share capital	11	33,139	33,139
Reserves		646,433	651,060
<b>Shareholders' funds</b>		<u>679,572</u>	<u>684,199</u>

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

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st January 2004	33,139	491,636	31,350	(894)	(4,345)	133,313	684,199
Exchange differences on translation of foreign subsidiaries	—	—	—	—	(239)	—	(239)
Loss for the period	—	—	—	—	—	(4,388)	(4,388)
As 30th June 2004	<u>33,139</u>	<u>491,636</u>	<u>31,350</u>	<u>(894)</u>	<u>(4,584)</u>	<u>128,925</u>	<u>679,572</u>

**For the six months ended 30th June 2003**

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st January 2003	27,639	422,636	31,350	(894)	(4,260)	147,548	624,019
Exchange differences on translation of foreign subsidiaries	—	—	—	—	8,527	—	8,527
Issue of new shares	5,500	69,000	—	—	—	—	74,500
Loss for the period	—	—	—	—	—	(4,300)	(4,300)
As 30th June 2003	<u>33,139</u>	<u>491,636</u>	<u>31,350</u>	<u>(894)</u>	<u>4,267</u>	<u>143,248</u>	<u>702,746</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
<b>Net cash outflow from operating activities</b>	<b>(9,671)</b>	(64,347)
<b>Net cash outflow from investing activities</b>	<b>(982)</b>	(27,270)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(1,912)</b>	77,015
<b>Net decrease in cash and cash equivalents</b>	<b>(12,565)</b>	(14,602)
Cash and cash equivalents at beginning of the period	<u>27,124</u>	<u>38,293</u>
<b>Cash and cash equivalents at end of the period</b>	<b><u>14,559</u></b>	<b><u>23,691</u></b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>28,608</b>	33,652
Bank overdraft	<b>(14,049)</b>	(9,961)
	<b><u>14,559</u></b>	<b><u>23,691</u></b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Basis of preparation and principal accounting policies

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

The Interim Financial Statements have been prepared under the historical cost convention as modified for the revaluation of investment property.

The principal accounting policies and methods of computation used in the preparation of these Interim Financial Statements are consistent with those used in the Group's audited financial statements for the year ended 31st December 2003.

## 2. Segment information

An analysis of the Group's turnover and loss from operations by principal activity and by geographical location is as follows:

## (a) Business segments

	Six months ended 30th June								Consolidated (Unaudited)	
	Property leasing (Unaudited)		Interest income (Unaudited)		Securities trading (Unaudited)		Unallocated (Unaudited)		2004	2003
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>2,377</u>	<u>2,946</u>	<u>1,157</u>	<u>1,752</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	3,534	4,698
Segment results	<u>2,221</u>	<u>2,846</u>	<u>1,157</u>	<u>1,752</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	3,378	4,598
Other income, net									82	859
Administrative expenses									(7,838)	(8,881)
Loss from operating activities									(4,378)	(3,424)
Finance costs									(1,383)	(1,246)
Loss before tax									(5,761)	(4,670)
Tax									—	—
Loss before minority interest									(5,761)	(4,670)
Minority interest									1,373	370
Net loss from ordinary activities attributable to shareholders									<u>(4,388)</u>	<u>(4,300)</u>
Depreciation for the period	<u>656</u>	<u>544</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>873</u>	<u>136</u>	<u>1,529</u>	<u>680</u>
Segment assets	<u>233,902</u>	<u>244,874</u>	<u>31,005</u>	<u>33,652</u>	<u>—</u>	<u>—</u>	<u>502,329</u>	<u>536,776</u>	<u>767,236</u>	<u>815,302</u>
Segment liabilities	<u>43,760</u>	<u>71,059</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,819</u>	<u>15,228</u>	<u>63,579</u>	<u>86,287</u>
Capital expenditure incurred during the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>982</u>	<u>22,502</u>	<u>982</u>	<u>22,502</u>

## 2. Segment information (Continued)

### (b) Geographical segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of assets.

	Six months ended 30th June					
	Hong Kong		Rest of the PRC		Consolidated	
	(Unaudited)		(Unaudited)		(Unaudited)	
2004	2003	2004	2003	2004	2003	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>3,534</u>	<u>4,698</u>	<u>—</u>	<u>—</u>	<u>3,534</u>	<u>4,698</u>
Loss from operations	<u>854</u>	<u>956</u>	<u>3,524</u>	<u>2,468</u>	<u>4,378</u>	<u>3,424</u>
Segment assets	<u>322,144</u>	<u>590,708</u>	<u>445,092</u>	<u>224,594</u>	<u>767,236</u>	<u>815,302</u>
Capital expenditure incurred during the period	<u>—</u>	<u>2,502</u>	<u>982</u>	<u>20,000</u>	<u>982</u>	<u>22,502</u>

## 3. Loss from operations

The Group's loss from operations is arrived at after charging:

	Six months ended 30th June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of fixed assets	<u>1,529</u>	<u>680</u>
Operating lease rentals in respect of land and buildings	<u>115</u>	<u>—</u>



**4. Finance costs**

	<b>Six months ended 30th June</b>	
	<b>2004</b>	<b>2003</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank advances and other borrowings repayable within 5 years	<b>1,383</b>	1,238
Finance charges on obligations under finance lease	<u>—</u>	<u>8</u>
	<b><u>1,383</u></b>	<b><u>1,246</u></b>

**5. Taxation**

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Company and its subsidiaries operating in Hong Kong incurred a tax loss for the period (30th June 2003: Nil).

No provision for other jurisdictions has been made for the period since the Group has no estimated assessable profits (30th June 2003: Nil).

A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams (30th June 2003: Nil).

**6. Loss per share**

The calculation of basic loss per share is based on the loss attributable to shareholders for the period of HK\$4,388,000 (30th June 2003: Loss of HK\$4,300,000) and the weighted average of 3,313,869,000 (30th June 2003: 3,200,981,818) ordinary shares in issue for the period.

There were no potential dilutive shares in existence for the periods, and therefore, no diluted earnings per share have been presented.

**7. Interim dividend**

The Board did not recommend the payment of an interim dividend for the period ended 30th June 2004 (30th June 2003: Nil).

**8. Fixed assets**

	<i>HK\$'000</i>
Net book value	
At 31st December 2003 (Audited)	225,416
Additions	982
Depreciation	<u>(1,529)</u>
At 30th June 2004 (Unaudited)	<u><u>224,869</u></u>

**9. Accounts receivables**

Included in accounts receivables are debts which are normally due within 30 days from the date of billing. The ageing analysis included as follows:

	<b>30th June 2004 (Unaudited) HK\$'000</b>	31st December 2003 (Audited) HK\$'000
0-30 days	<b>684</b>	578
31-60 days	<b>458</b>	—
	<u><b>1,142</b></u>	<u>578</u>

**10. Accounts payables**

The ageing analysis of accounts payable is set out as follows:

	<b>30th June 2004 (Unaudited) HK\$'000</b>	31st December 2003 (Audited) HK\$'000
Due within 1 month or on demand	<b>286</b>	196
	<u><b>286</b></u>	<u>196</u>

**11. Share capital**

	<b>30th June 2004</b>		31st December 2003	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>
	<b>'000</b>	<b>HK\$'000</b>	<b>'000</b>	<b>HK\$'000</b>
<b>Authorised:</b>				
Ordinary shares at HK\$0.01 each	<u>5,000,000</u>	<u>50,000</u>	<u>5,000,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>				
At beginning of the period/year	<u>3,313,869</u>	<u>33,139</u>	2,763,869	27,639
Issue of new shares	<u>—</u>	<u>—</u>	<u>550,000</u>	<u>5,500</u>
At end of the period/year	<u>3,313,869</u>	<u>33,139</u>	<u>3,313,869</u>	<u>33,139</u>

**12. Capital commitments**

As at 30th June 2004, the Group had the following commitments which were not provided for in the Interim Financial Statements:

	<b>30th June 2004 (Unaudited) HK\$'000</b>	31st December 2003 (Audited) HK\$'000
Contracted for in respect of property development project in the PRC	<u>24,950</u>	<u>24,950</u>

Save as disclosed above, as at 30th June 2004, the Group did not have any significant capital commitments.

**13. Material related party transactions**

On 31st December 2001, China Wan Tai Group Limited, the ultimate holding company, provided an irrevocable guarantee to the Group in respect of certain investment deposits and amount due from fellow subsidiary of HK\$96,087,000 and HK\$11,652,000, respectively whereby China Wan Tai Group Limited agreed to reimburse any loss suffered by the Group, in the event that the Group is unable to recover the amounts from relevant parties on or before the agreed dates.

As at 30th June 2004, the amount due from a fellow subsidiary was approximately HK\$2,405,000. The balance of investment deposit was nil.

**14. Pledge of assets**

At 30th June 2004, investment properties of the Group with an aggregate carrying value totaling HK\$102,620,000 (31st December 2003: HK\$102,620,000), together with the right to receive rentals thereon were pledged to banks to secure banking facilities.

**15. Approval of Interim Financial Statements**

The Interim Financial Statements were approved by the Board on 27th September 2004.

**MANAGEMENT DISCUSSION AND ANALYSIS****Financial review**

The Group's turnover for the period ended 30th June 2004 was approximately HK\$3,534,000, (30th June 2003: HK\$4,698,000), decreased by 25% when compared to the corresponding period in the previous year. It was mainly due to the decline in both rental income and interest income received during the period.

Although the property market is currently recovering from economic recession, the Group is still affected by the outbreak of SARS during the period under review. In the past year, the Group had to lower the rental charges in order to avoid vacancy for its investment properties. It led the Group to continue to receive rental income below the property market level and therefore affected the Group's performance during the period under review.

Despite the decrease in turnover during the period under review, the net loss attributable to shareholders remained stable at approximately HK\$4,388,000 (30th June 2003: HK\$4,300,000) compared to last corresponding period. It is an achievement to the Group's management who closely monitored the Group's daily operation and controlled the costs in view of decrease in turnover during the period under review.

### **Business review**

During the period under review, the Group continued focusing on property investment operations in Hong Kong and other parts of the People's Republic of China (the "PRC").

#### ***Hong Kong, the PRC***

The Group has a portfolio of leasing properties located in Hong Kong which consists of a numbers of commercial units and car parking spaces. The leasing operation continues to be the major operation of the Group and attributed 67% of the Group's total turnover during the period under review. For the period ended 30th June 2004, the Group's rental revenue generated from leasing of properties was approximately HK\$2,377,000 (30th June 2003: HK\$2,946,000), decreased by 19% when compared to the corresponding period in the previous year. Such decrease was mainly due to the vacancy of car parking spaces and decrease in rental income.

Nevertheless, the management believes that the plunge of the property leasing operations is stabilized and expects to bounce back in the coming year as the Group is in the process of re-negotiating the rental charges with numbers of tenants and asking for the increase of 10% – 15% in rental charges to match with the current improvement in property market in Hong Kong. The management is taking aggressive approach to improve the Group's performance and to bring positive return to our shareholders in the future.

***Shanghai, the PRC***

The Group has an investment property project under construction with investment deposits of HK\$58,720,000. The aforesaid property investment project was a commercial building construction project in Shanghai. Upon completion, the developer agreed to transfer the legal titles of certain number of units to the Group and allow the Group to acquire other units at a discount of the market price. Up to the date of this report, the property investment project is close to completion and in the process of transferring the title to the Group. Taken into consideration of the growing in Shanghai's property market, the Group plans to sell the entire units upon obtaining the title of those properties and is expecting a 35% return from the investment.

***Xian, the PRC***

The Group has two property development projects of high-class villa-type residential district in Xian. The first property development project commenced in 2001 which the Group established a joint venture with a reputable and independent local property developer in Xian to jointly develop the project. At 30th June 2004, the total investment costs of the project were approximately HK\$46,768,000. The profit sharing ratio between the Group and the joint venture partner was on a 30:70 basis. Due to the outbreak of SARS, the construction progress took longer time than expected. The management has been informed that the construction project will be completed in late 2004. The management will closely monitor the progress to ensure no further delay for the completion of the property construction project.

The second project was commenced in 2002. As at 30th June 2004, the total development costs of the project were approximately HK\$115,000,000. This project was ranked as the second key project of Xian by the local government in 2002. The management was satisfactory about the progress of construction and keen to complete the project on time. The Group anticipated that remarkable profits would be generated upon completion of the investment project. The project is expecting to be completed in 2005. The management will closely monitor the construction progress and is keen to complete the project on time.

## Prospects

With the end of the SARS in June 2003 and along with the launch of the Closer Economic Partnership Arrangement, the Group expects the PRC will continue to grow rapidly. The Group is set to further expand its investments in the property market of the PRC. The Group is actively seeking investment and acquisition opportunities with similar business nature and development prospects to the Group.

On the other hand, the Group will closely monitor the construction progress of its PRC investment projects on hand. The Group is keen to complete all the projects on time for capturing the economic boom of the PRC property market and to accelerate the profit generating power of the Group. The Board is confident that the Group will enter into the period of harvest in the next year.

In view of the Group's property construction projects will be gradually completed within the next year, in order to maximize the return on investments, the management plans to sell all the projects upon completion. The management is expecting a remarkable profit from such disposal and in the process to identify suitable project investments by using the fund receives from the disposal of completed property construction project.

For the Group's property leasing operation, the management is in the process to re-negotiate the terms to the Group's tenants and anticipates increasing the rental fee to match with the current market level. The management expects the Group's property leasing operation will be benefited by the recovery of the current property market. As a result, the management is expecting an improvement for the Group's property leasing operation in coming years.

The management also commenced to review the rate of return on all of the investment properties. The management is considering to dispose of certain investment properties with the rate of return below the expected level and use the funds receive to invest in other investment properties with higher rate of return such as properties in Causeway Bay and Central.

All in all, it is the Group's policy to maximize its shareholders' value of investment. The Group will continue to explore business opportunities that are valuable to the Group and to its shareholders as a whole.

## Capital Structure

The Group's financial position remains strong and stable for the period under review. As at 30th June 2004, the Group had total assets of approximately HK\$767,236,000, comprising non-current assets of approximately HK\$580,708,000 and current assets of approximately HK\$186,528,000, which were financed by current liabilities, non-current liabilities and shareholders' funds of approximately HK\$24,379,000, HK\$39,200,000 and HK\$679,572,000 respectively.

As at 30th June 2004, the Group had net current assets of approximately HK\$162,149,000 (31st December 2003: HK\$169,658,000). The Group's current ratio, as a ratio of current assets to current liabilities, was maintained at a healthy level of approximately 13.1 (31st December 2003: 15.3).

The debt to equity ratio as at 30th June 2004 was 0.09 while it was 0.11 at 31st December 2003. The decrease was mainly due to the decline in the level of accrued expenses which the Group settled most of the debts during the period under review. The debt to equity ratio was calculated by dividing the total liabilities of HK\$63,579,000 (31st December 2003: HK\$71,959,000) by the total shareholders' equity of HK\$679,572,000 (31st December 2003: HK\$684,199,000).

The gearing ratio expressed as a percentage of total bank borrowings to total shareholders' equity remained stable at 0.08 for the period ended 30th June 2004 (31st December 2003: 0.08).

As at 30th June 2004, the Group did not use any financial instruments for hedging purpose.

## Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong. During the period under review, the Group recorded a net cash outflow of HK\$12,565,000, which led to the total cash and cash equivalents amounting to HK\$28,608,000 as at 30th June 2004.

The Board is of the opinion that the cash outflow for the period did not have material effect on the Group's liquidity position.



**Borrowings and banking facilities**

The total bank borrowing of the Group as at 30th June 2004 was approximately HK\$53,249,000 (31st December 2003: HK\$55,161,000), which was denominated in Hong Kong dollars. The bank borrowing mainly consists of mortgage loan granted for the purpose of facilitating the acquisition of investment properties in Hong Kong. The mortgage loan is not at fixed interest rates and is secured by the investment properties of the Group.

**Foreign exchange exposure**

As the Group's transactions are mostly settled by Hong Kong dollars and Renminbi, its exposure to foreign exchange fluctuation is considered minimal, and therefore the use of financial instruments for hedging purpose is considered not necessary.

**Contingent liabilities**

As at 30th June 2004, the Group did not have any significant contingent liabilities.

**Human resources**

As at 30th June 2004, the Group employed 80 employees (30th June 2003: 85 employees). Employee remuneration packages are structured and reviewed by reference to the nature of the job, market condition and individual merits. The Group also provides other employee benefits which include year end double pay, mandatory provident fund and medical insurance. Total staff costs for the period ended 30th June 2004 were approximately HK\$2,200,000 (30th June 2003: HK\$2,400,000).

**Pledge and charge of assets**

As at 30th June 2004, certain investment properties of the Group with an aggregate carrying value of approximately HK\$102,600,000 (31st December 2003: HK\$102,600,000) were pledged to secure mortgage loan.

**DIRECTORS' INTERESTS IN SHARES**

As at 30th June 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follow:

<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>
Qian Yong Wei (Note 1)	Held by spouse/ Held by controlled corporation	1,148,368,235	34.65%
Xu Zhe Cheng (Note 2)	Held by spouse/ Held by controlled corporation	1,148,368,235	34.65%
Chiu Yeung (Note 3)	Held by controlled corporation	500,000	0.02%

**Notes:**

1. Mr. Qian Yong Wei ("Mr. Qian") held 95,000 shares (95%) in China Wan Tai Group Limited ("China Wan Tai"), the ultimate holding company of the Company. China Wan Tai held 100 shares (100%) in Universal Union Limited ("Universal Union"). Universal Union held 1,148,368,235 shares in the Company.
2. Ms. Xu Zhe Cheng ("Ms. Xu"), Mr. Qian's wife, held 5,000 shares (5%) in China Wan Tai. China Wan Tai held 100 shares (100%) in Universal Union. Universal Union in turn held 1,148,368,235 shares in the Company.
3. Mr. Chiu Yeung held all shares in Sunnergy Finance & Investment Limited ("Sunnergy"). Sunnergy held 500,000 shares in the Company.

All interests stated above represent long positions.

Other than as disclosed above, and save for nominee shares in certain subsidiaries held in trust for the Group at 30th June 2004, none of the directors, the chief executive, or any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in the Company or any other body corporate.

### **SHARE OPTIONS SCHEME**

The share option scheme adopted by the Group expired on 23rd December 2000. As at 30th June 2004 and up to the date of approval of the Interim Financial Statements, the Group has not adopted any new share option scheme.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30th June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
China Wan Tai (Note)	Held by controlled corporation	1,148,368,235	34.65%
Universal Union	Beneficial owner	1,148,368,235	34.65%
Zhao Qing	Beneficial owner	173,760,000	5.24%

*Note:* These shares are held by Universal Union, a wholly owned subsidiary of China Wan Tai which is in turn beneficially owned by Mr. Qian and Ms. Xu as to 95% and 5% respectively.

All interests stated above represent long position.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 30th June 2004.

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

During the six months ended 30th June 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Subsequent to the balance sheet date, on 25th September 2004, Mr. Lo Wa Kei Roy was appointed as independent non-executive director of the Company, in order to comply with Rule 3.10(1) of the Listing Rules.

## AUDIT COMMITTEE

The then Audit Committee, comprising two independent non-executive directors, namely Mr. Mu Xiangming, and Mr. Cheng Chak Ho, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters including the review of the Interim Financial Statements for the six months ended 30th June 2004.

Mr. Lo Wa Kei Roy has subsequently become a member of the Audit Committee on 25th September 2004.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the directors of the Company is 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 to the Listing Rules at any time during the six months ended 30th June 2004.

By order of the Board

**Sun Man Tai Holdings Company Limited**

**Chiu Yeung**

*Executive director*

Hong Kong, 27th September 2004