

The board of directors (the “Board”) of Samson Paper Holdings Limited (the “Company”) is pleased to present the interim financial report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30 September 2004, and the consolidated balance sheet as at 30 September 2004 of the Group, all of which are unaudited and condensed, along with comparative figures for the corresponding period and selected explanatory notes are as follows:-

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2004

	Notes	Unaudited	
		Six months ended 30 September	
		2004	2003
		HK\$'000	HK\$'000
Turnover	2	1,630,680	1,394,255
Cost of sales		(1,463,250)	(1,254,160)
Gross profit		167,430	140,095
Other revenues		4,714	4,077
Selling expenses		(60,558)	(47,980)
Administrative expenses		(42,622)	(38,301)
Other operating expenses		(10,041)	(9,556)
Operating profit	3	58,923	48,335
Finance costs		(15,425)	(18,797)
Share of profit less loss of associated companies		1,916	(542)
Profit before taxation		45,414	28,996
Taxation	4	(12,725)	(7,822)
Profit after taxation		32,689	21,174
Minority interests		(1,058)	–
Profit attributable to shareholders		31,631	21,174
Interim dividend	5	8,585	4,293
Earnings per share	6	HK7.4 cents	HK4.9 cents
Interim dividend per share		HK2.0 cents	HK1.0 cent

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2004

		Unaudited 30 September 2004 <i>HK\$'000</i>	Audited 31 March 2004 <i>HK\$'000</i>
	Notes		
Non-current assets			
Fixed assets		150,334	144,691
Investment in associated companies		67,245	66,018
Deferred tax assets		2,281	2,508
		<u>219,860</u>	<u>213,217</u>
Current assets			
Inventories		290,445	299,023
Accounts receivable, deposits and prepayments	7	1,263,527	991,250
Other investments		27,725	24,982
Bank balances and cash		235,701	282,215
		<u>1,817,398</u>	<u>1,597,470</u>
Current liabilities			
Accounts payable and accrued charges	8	438,808	390,488
Trust receipt loans	9	662,072	595,808
Taxation payable		12,839	4,564
Bank loans	9	217,321	148,809
		<u>1,331,040</u>	<u>1,139,669</u>
Net current assets		<u>486,358</u>	<u>457,801</u>
Total assets less current liabilities		<u><u>706,218</u></u>	<u><u>671,018</u></u>
Financed by:			
Share capital	10	42,926	42,926
Reserves		544,762	521,381
Proposed dividend		8,585	12,878
		<u>553,347</u>	<u>534,259</u>
Shareholders' funds		596,273	577,185
Minority interests		2,619	–
Bank loans	9	100,104	86,806
Deferred tax liabilities		7,222	7,027
		<u>706,218</u>	<u>671,018</u>
Net asset value per share		<u><u>HK139 cents</u></u>	<u><u>HK134 cents</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2004

	Unaudited	
	Six months ended 30 September 2004	2003
	HK\$'000	HK\$'000
Net cash used in operating activities	(107,584)	(80,115)
Net cash used in investing activities	(7,862)	(15,925)
Net cash inflow from financing activities	68,932	108,379
Net (decrease)/increase in cash and cash equivalents	(46,514)	12,339
Cash and cash equivalents at 1 April	282,215	241,847
Cash and cash equivalents at 30 September	<u>235,701</u>	<u>254,186</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>235,701</u>	<u>254,186</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Unaudited						
	Share capital	Share premium	Assets revaluation	Capital reserve	Exchange fluctuation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	42,926	96,293	50,442	33,311	(1,590)	355,803	577,185
Profit for the period	-	-	-	-	-	31,631	31,631
2003-2004 final dividend paid	-	-	-	-	-	(12,878)	(12,878)
Share of reserve of an associated company	-	-	-	-	335	-	335
	<u>42,926</u>	<u>96,293</u>	<u>50,442</u>	<u>33,311</u>	<u>(1,255)</u>	<u>365,971</u>	<u>587,688</u>
Proposed interim dividend	-	-	-	-	-	8,585	8,585
At 30 September 2004	<u>42,926</u>	<u>96,293</u>	<u>50,442</u>	<u>33,311</u>	<u>(1,255)</u>	<u>374,556</u>	<u>596,273</u>
At 1 April 2003	42,926	96,293	61,142	33,311	(892)	309,749	542,529
Changes in accounting policy - Adoption of SSAP12 (revised)	-	-	(9,458)	-	-	-	(9,458)
At 1 April 2003, as restated	42,926	96,293	51,684	33,311	(892)	309,749	533,071
Exchange differences					637	-	637
Net gains not recognised in the profit and loss account					(255)	309,749	533,708
Profit for the period	-	-	-	-	-	21,174	21,174
2002-2003 final dividend paid	-	-	-	-	-	(8,585)	(8,585)
	<u>42,926</u>	<u>96,293</u>	<u>51,684</u>	<u>33,311</u>	<u>(255)</u>	<u>318,045</u>	<u>542,004</u>
Proposed interim dividend	-	-	-	-	-	4,293	4,293
At 30 September 2003	<u>42,926</u>	<u>96,293</u>	<u>51,684</u>	<u>33,311</u>	<u>(255)</u>	<u>322,338</u>	<u>546,297</u>

1. Basis of preparation and accounting policies

The unaudited interim financial report has been reviewed by the Company's audit committee, and reviewed by the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These unaudited consolidated condensed interim accounts are prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting", issued by the HKICPA and Appendix 16 of Rules Governing the Listing Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These condensed interim accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2004.

2. Segment information

The Group is principally engaged in trading and marketing of paper products. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No business segment analysis is provided as over 90% of the Group's turnover and profit contribution came from the distribution business of paper products during the period.

An analysis of the Group's turnover for the period by geographical segment is as follows:-

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong	842,197	851,156
Mainland China	779,367	543,099
Others	9,116	–
	<u>1,630,680</u>	<u>1,394,255</u>

No contribution to operating profit from any of the above geographical segment is substantially out of line with the normal ratio of profit to turnover.

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Crediting		
Interest income	<u>2,693</u>	<u>3,147</u>
Charging		
Depreciation of fixed assets	<u>4,628</u>	<u>5,427</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 assessable elsewhere has been calculated at the applicable rates of taxation prevailing in the countries in which the Group and the associated companies operate, based on existing legislation, interpretation and practices in respect thereof.

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax	11,169	6,910
Mainland China taxation	832	175
Deferred taxation	422	527
	<u>12,423</u>	<u>7,612</u>
Share of taxation attributable to associated companies	302	210
Total taxation charge	<u>12,725</u>	<u>7,822</u>

5. Interim dividends

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Proposed, of HK\$0.02 (2003: HK\$0.01) per share	<u>8,585</u>	<u>4,293</u>

Note: This proposed interim dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2005.

6. Earnings per share

The calculation of earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders of HK\$31,631,000 (2003:HK\$21,174,000) for the period and on the weighted average number of 429,258,039 (2003: 429,258,039) shares of the Company in issue during the period.

7. Accounts receivable, deposits and prepayments

Included in accounts receivable, deposits and prepayments are trade debtors of HK\$1,135,109,000 (net of provision) (31 March 2004: HK\$884,749,000) and their ageing analysis is as follows:

	30 September	31 March
	2004	2004
	HK\$'000	HK\$'000
Current to 60 days	738,042	596,134
61 to 90 days	208,426	159,153
Over 90 days	188,641	129,462
	<u>1,135,109</u>	<u>884,749</u>

The Group has a defined credit policy with general credit terms ranging from 30 days to 90 days.

8. Accounts payable and accrued charges

Included in accounts payable and accrued charges are trade payable of HK\$411,026,000 (31 March 2004: HK\$361,916,000) and their ageing analysis is as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Current to 60 days	311,761	265,344
61 to 90 days	45,549	51,028
Over 90 days	53,716	45,544
	<u>411,026</u>	<u>361,916</u>

9. Bank loans

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Bank loans		
Unsecured	265,765	196,878
Secured	51,660	38,737
	<u>317,425</u>	<u>235,615</u>
Less: Amount repayable within one year classified under current liabilities	<u>(217,321)</u>	<u>(148,809)</u>
	<u>100,104</u>	<u>86,806</u>
Trust receipt loans	<u>662,072</u>	<u>595,808</u>

At 30 September 2004, the Group's bank loans were repayable as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Within one year	217,321	148,809
In the second year	82,917	70,278
In the third to fifth years inclusive	17,187	16,528
	<u>317,425</u>	<u>235,615</u>

At 30 September 2004, trust receipt loans amounted to HK\$662,072,000 (31 March 2004: HK\$595,808,000) were repayable within one year from the balance sheet date.

10. Share Capital

	Number of share of HK\$0.10 each		Share capital	
	30 September 2004	31 March 2004	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Authorised:	<u>800,000,000</u>	<u>800,000,000</u>	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:	<u>429,258,039</u>	<u>429,258,039</u>	<u>42,926</u>	<u>42,926</u>

11. Contingent liabilities

The Company provided corporate guarantees on the banking facilities granted to its three subsidiaries. The amount of such facilities utilized by such subsidiaries as at 30 September 2004 amounted to approximately HK\$979,497,000 (31 March 2004: HK\$831,423,000).

12. Commitments

(a) Forward exchange contracts

As at 30 September 2004, the Group had outstanding forward exchange contracts to purchase American Dollars amounted to an aggregate of approximately HK\$155,554,000 (31 March 2004: HK\$181,200,000).

(b) Operating lease commitments

As at 30 September 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
No later than one year	10,545	11,171
Later than one year and not later than five years	394	4,514
	<u>10,939</u>	<u>15,685</u>

(c) Capital commitments

Capital commitments for property, plant and equipment

	30 September 2004 HK\$'000	31 March 2004 HK\$'000
Contracted but not provided for	–	2,362

(d) As at 30 September 2004, a wholly-owned subsidiary of the Company had commitment in respect of the injection of capital into a subsidiary in Mainland China amounted to approximately HK\$6,380,000 (31 March 2004: HK\$16,380,000).

13. Charge of assets

As at 30 September 2004, trust receipt loans of HK\$221,896,000 (31 March 2004: HK\$195,341,000) and bank loans of HK\$51,660,000 (31 March 2004: HK\$38,737,000) were secured by legal charge on certain properties of the Group in Hong Kong.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK 2 cents (2003: HK 1 cent) per share for the six months ended 30 September 2004. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on Friday, 7 January 2005. The interim dividend will be paid on or about Friday, 14 January 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 5 January 2005 to Friday, 7 January 2005 (both days inclusive), during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrars, Computershare Hong Kong Investor Services Limited at Suite 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 pm on Tuesday, 4 January 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

The Economy

The Hong Kong economy was gradually recovering, manifested as encouraging GDP growth during the review period. As for Mainland China, the economy continued to grow strongly.

The printing and publishing industries benefited from the rebounding economy in Hong Kong. The total exports of printed matters in Hong Kong remained robust. It rose by 18% in the first nine months of 2004.

The Paper Industry

During the review period, there was a vast demand for paper prompted by the economy on its pick up and return of buying sentiment. These factors plus the rise in pulp price accounted for an approximately 10% increase in the price of book printing papers during the review period. The price of packaging boards, however, remained stable.

Operations Review

Owing to the improvement of the economy, the Group achieved a revenue of HK\$1,630 million, representing a 17% growth as compared with the last corresponding period. The Group's sales increased by 10% in terms of volume to 293,000 metric tonnes. Gross profit was recorded at HK\$167 million with gross margin at 10.27%, as compared with 10.05% of the last corresponding period. Net profit increased by 49% to HK\$31.6 million with net profit margin at 1.94%, as compared with 1.52% of the last corresponding period. Earnings per share increased by 51% to HK 7.4 cents. The Board has resolved to pay an interim dividend of HK 2 cents per share (2003: HK 1 cent).

The Group's strategy of expanding into the Mainland China market proved successful as reflected in the significant growth in revenue contribution from the market. Turnover from the Mainland China market rose by 42% and reached HK\$772 million. It is the fifth consecutive year the Group recorded significant growth in the market. The Group currently has an extensive market presence in Beijing, Shanghai, Chongqing, Foshan and Shenzhen. The sales in Mainland China made up 48% of the Group's total turnover, and Hong Kong contributed to the remaining 52%, or HK\$842 million.

During the review period, the Group's paper manufacturing arm, the Singapore listed United Pulp & Paper Company Limited ("UPP"), an associated company of the Group, contributed to the Group an operating profit of HK\$1.7 million, as compared to an operating loss of HK\$0.6 million in the corresponding period last year. The improvement was the result of its efforts to rationalize and streamline its business operations, and improve cost competitiveness and operating efficiencies. The Group will continuously leverage UPP's established position to further enhance its distribution network and generate synergies to the Group's paper trading business.

To provide added value services to our customers, the Group has invested in transportation and custom clearance services business, which has started to contribute profit during the period. The Group is committed to providing quality services to its customers.

The increase in both turnover and net profit during the review period was mainly attributable to the rise of paper demand and prices, as well as the improvement in profit margin. Interest rate, however, remained low during the period. Hence, finance cost decreased by 18% to HK\$15.4 million from HK\$18.8 million in the corresponding period last year. Sales and administration expenses stood at 6.3% of the turnover, a similar level to that of the corresponding period last year.

Though both the Hong Kong and Mainland China economy were improving, the Group maintained a prudent inventory policy. During the period, stock turnover decreased from 36 days to 32 days.

In view of the prevailing market conditions, the Group also adopted a prudent credit policy to manage its exposure to doubtful debts. As a result, the provision level was the same as the last corresponding period. This included a general provision of 0.1% of total sales.

Prospects

The economy of Hong Kong and Mainland China are expected to grow at moderate pace. Hong Kong will remain as a centre for global printing and publishing activities, as its printers and publishers have been relentless in ensuring their competitiveness. The Group expects stable growth for the prices of book printing papers and packaging boards in the coming period.

Looking forward to 2005, Mainland China will continue to be the Group's major growth driver. The market will further expand and present many business opportunities to the Group. Hence, the Group plans to establish additional presence so as to deepen its market penetration.

Furthermore, the Group will continue to adopt a prudent financial management policy, which is in line with the Group's strategy. To further enhance its competitiveness, the Group will continue to expand its product range and variety and provide quality and value added services to its customers. The management is cautiously optimistic about its performance in the second half of the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2004, the total number of the Group's employees was 398. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the Group and the individual concerned. In addition to salary payment, other staff benefits including performance bonus, education subsidies, provident fund, medical insurance and share option are offered to reward our high-calibre staff. Training encompassing strategic, implementation, sales and marketing disciplines are offered to various levels of management on a regular basis.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's short term deposits and bank balances as at 30 September 2004 amounted to approximately HK\$236 million. To meet the demand of the Group, additional bank borrowings were drawn and their aggregate balance increased by HK\$148 million to HK\$979 million in the six months ended 30 September 2004. As at 30 September 2004, its gearing ratio, measured on the basis of the Group's long term debt over the Group's shareholders' funds was 17% (31 March 2004: 15%). With bank balances and other current assets of HK\$1,817 million as well as available bank and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

The Group's foreign currency purchases were mainly denominated in United States dollars. Foreign exchange contracts and options were used, if necessary, to hedge the Group's foreign currency exposure.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2004, the interests and short positions of each Director and chief executive of the Company and their associates 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")), as recorded in the register required to be kept by the Company under 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 (the "Model Code") were as follows:-

(a) Long position in ordinary shares of HK\$0.10 each in the Company (the "Shares")

		Number of ordinary shares beneficially held				
	Capacity	Personal interest	Corporate interest	Family interest	Other interest	Total
Mr. LEE Seng Jin	Beneficial owner & beneficiary of trust	11,624,000	-	-	268,340,000 <i>(Note 1)</i>	279,964,000
Ms. SHAM Yee Lan, Peggy	Beneficial owner & beneficiary of trust	572,556	-	-	284,480,000 <i>(Notes 1 and 2)</i>	285,052,556
Mr. CHOW Wing Yuen	Beneficial owner	540,000	-	-	-	540,000

Notes:

- (1) Of the 284,480,000 Shares, 268,340,000 Shares were held by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust. The objects of the family trust include Mr. Lee Seng Jin and Ms. Sham Yee Lan, Peggy.
- (2) Of the 284,480,000 Shares, 16,140,000 Shares were held by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust. The objects of the family trust include Ms. Sham Yee Lan, Peggy.

Save as disclosed above, as at 30 September 2004, none of the Directors and chief executives of the Company had any interest or short position in the shares or underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those interests disclosed above, the Directors and chief executives of the Company also hold shares of certain subsidiaries of the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

At no time during the period was the Company, its holding company, its subsidiaries or its associated companies a party to any arrangement to enable any Director or chief executives of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company and its associated corporations as defined in the SFO.

(b) Short positions in shares and underlying Shares of the Company

None of the Directors and the chief executive of the Company or their associates had any short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Share option scheme

At the special general meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a new share option scheme (the “New Scheme”) to comply with the new requirements of Chapter 17 of the Listing Rules and the termination of the operation of the share option scheme (the “Old Scheme”) which was adopted on 8 November 1995. No share option was granted under the Old Scheme since 8 November 1995 and up to the date of the termination or was outstanding as at the date of the termination. As at 30 September 2004, no option was granted under the New Scheme. A summary of the terms and conditions of the New Scheme are set out below.

(1) Purpose

The purpose of the New Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the “Invested Entity”).

(2) *Participants*

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) *Maximum number of shares*

The number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the New Scheme. The maximum number of Share available for issue under the New Scheme is 42,925,803 as at the date of this report.

(4) *Maximum entitlement of each Participant*

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

(5) *Time of exercise of option*

An option may be exercised in accordance with the terms of the New Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed the period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the New Scheme.

(6) *The Eligible Person shall pay HK\$1.0 to the Company in consideration of the grant of an Option upon acceptance of the grant of Option.*

(7) *Exercise price*

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of

- a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;
- b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- c) the nominal value of a share on the date of grant.

(8) *Remaining life of the New Scheme*

The New Scheme will remain in force until 26 February 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 30 September 2004, the interests and short positions of the shareholders of the Company other than a Director or chief executives of the Company and their associates, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares

Name of shareholder	Number of Shares	Approximate percentage of interest to total issued share capital of the Company
Quinselle Holdings Limited	268,340,000	62.51%
HSBC International Trustee Limited (<i>Note</i>)	284,480,000	66.27%

Note:

Of the 284,480,000 Shares, 268,340,000 Shares are held by Quinselle Holdings Limited and 16,140,000 Shares are held by Cashstar Investments Limited.

Quinselle Holdings Limited holds the 268,340,000 Shares in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust, holds the majority units in the private unit trust.

Cashstar Investments Limited holds the 16,140,000 Shares in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust, holds the majority units in the private unit trust.

Save as disclosed above, the register which was required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 September 2004.

AUDIT COMMITTEE

The principal activities of the audit committee of the Company (the "Committee") include the review and supervision of the Group's financial reporting process and internal controls. The Committee has reviewed the Group's unaudited interim report for the six months ended 30 September 2004 before it was tabled for the Board's approval. The review of the unaudited interim financial statements was conducted in conjunction with the Group's external auditors.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not during the six months ended 30 September 2004 in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that the 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 annual general meeting of the Company in accordance with the Company's Bye-laws.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information in respect of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under the transitional arrangement, will be published on the Stock Exchange's website in due course.

THE BOARD

As at the date of report, the Board comprises five executive Directors, namely Mr. SHAM Kit Ying, Mr. LEE Seng Jin, Mr. CHOW Wing Yuen, Ms. SHAM Yee Lan, Peggy and Mr. LEE Yue Kong, Albert and three independent non-executive Directors, namely Mr. PANG Wing Kin, Patrick, Mr. LAU Wang Yip, Eric and Mr. TONG Yat Chong.

By order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 15 December 2004