



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

2005 INTERIM REPORT

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of South China Holdings Limited (the “Company”) announces that the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2005 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June	
		2005	2004
		Unaudited HK\$'000	Unaudited and Restated HK\$'000
Turnover	2	1,642,794	1,560,588
Cost of sales		(1,492,154)	(1,370,113)
Gross profit		150,640	190,475
Other operating income (including interest income)		10,897	8,086
Distribution costs		(44,073)	(34,768)
Administrative expenses		(192,860)	(166,658)
Gain on disposal of non-trading securities		–	235
Gain on disposal of available-for-sale financial assets		20,938	–
Unrealised holding loss of trading securities		–	(7,456)
Unrealised holding loss of financial assets at fair value through profit or loss		(14,778)	–
Impairment loss recognised on non-trading securities written back		–	25,325
Gain from changes in fair value of investment properties		106,280	11,000
Discount on acquisition of an additional interest in a subsidiary		–	15,665
Profit from operations	2 & 3	37,044	41,904
Finance costs		(6,719)	(4,484)
Share of results of associates		2,077	(3,438)
Allowance for advances to an associate written back		19,094	–
Profit before taxation		51,496	33,982
Income tax expense	4	(1,015)	(898)
Profit for the period		50,481	33,084
Attributable to:			
Equity holders of the Company		27,238	22,035
Minority interests		23,243	11,049
		50,481	33,084
Basic earnings per share	6	HK1.49 cent	HK1.21 cent

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2005 Unaudited HK\$'000	31 December 2004 Restated HK\$'000
	<i>Notes</i>		
Non-current assets			
Biological assets		68,000	68,000
Property, plant and equipment		333,313	332,578
Investment properties	7	461,273	327,255
Land pending development		–	36,362
Interests in associates	8	422,627	400,718
Loans and advances receivables		7,359	5,228
Available-for-sale financial assets		59,942	–
Non-trading securities		–	43,817
Goodwill		8,497	8,497
Other non-current assets		49,641	45,113
		1,410,652	1,267,568
Current assets			
Inventories		451,498	329,555
Properties held for sale		19,221	19,221
Financial assets at fair value through profit or loss		79,359	–
Trading securities		–	68,775
Trade and other receivables	9	547,825	379,140
Loans and advances receivables		146,521	174,442
Tax recoverable		8,693	6,684
Amount due from a related company		127	182
Bank balances and cash	10	517,638	527,619
		1,770,882	1,505,618
Total assets		3,181,534	2,773,186
Capital and reserves			
Share capital and share premium		298,818	298,818
Other reserves		189,825	166,673
Retained earnings		433,847	406,912
Equity attributable to equity holders of the Company		922,490	872,403
Minority interests		526,452	495,617
Total equity		1,448,942	1,368,020

		30 June 2005 Unaudited HK\$'000	31 December 2004 Restated HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Bank borrowings – due after one year		140,561	75,155
Obligations under finance leases		7,787	9,065
Advances from shareholders		26,921	9,018
Advances from minority shareholders of subsidiaries		25,403	25,403
Deferred tax liabilities		1,744	1,744
		<hr/> 202,416 <hr/>	<hr/> 120,385 <hr/>
Current liabilities			
Client deposits		197,001	294,993
Trade and other payables	<i>11</i>	816,074	637,156
Bank borrowings – due within one year		494,913	332,400
Obligations under finance leases		12,082	10,626
Amount due to related companies		1,008	1,396
Taxation payable		9,098	8,210
		<hr/> 1,530,176 <hr/>	<hr/> 1,284,781 <hr/>
Total liabilities		<hr/> 1,732,592 <hr/>	<hr/> 1,405,166 <hr/>
Total equity and liabilities		<hr/> 3,181,534 <hr/>	<hr/> 2,773,186 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium Unaudited <i>HK\$'000</i>	Other reserves Unaudited <i>HK\$'000</i>	Retained earnings Unaudited <i>HK\$'000</i>	Attributable to equity holders of the Company Unaudited <i>HK\$'000</i>	Minority interests Unaudited <i>HK\$'000</i>	Total Unaudited <i>HK\$'000</i>
At 1 January 2005	298,818	166,673	406,912	872,403	495,617	1,368,020
Profit for the period	–	–	27,238	27,238	23,243	50,481
Changes in fair value of available-for-sale financial assets	–	2,961	–	2,961	3,243	6,204
Changes in special reserve arising from placement of warrants by a subsidiary	–	18,809	–	18,809	6,411	25,220
Translation adjustments	–	1,079	–	1,079	1,361	2,440
Total recognised income and expense for the period	–	22,849	27,238	50,087	34,258	84,345
Transfer to statutory reserves	–	303	(303)	–	–	–
Dividend paid to minority shareholders of subsidiaries	–	–	–	–	(3,423)	(3,423)
At 30 June 2005	298,818	189,825	433,847	922,490	526,452	1,448,942
At 1 January 2004	298,818	166,294	292,929	758,041	478,751	1,236,792
Profit for the period	–	–	22,035	22,035	11,049	33,084
Changes in fair value of non-trading securities	–	516	–	516	175	691
Translation adjustments	–	(2)	–	(2)	5	3
Total recognised income and expense for the period	–	514	22,035	22,549	11,229	33,778
Acquisition of additional equity interest in subsidiaries	–	–	–	–	(32,691)	(32,691)
Transfer to statutory reserves	–	181	(181)	–	–	–
Final dividend proposed	–	–	(10,029)	(10,029)	–	(10,029)
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	(2,471)	(2,471)
At 30 June 2004	298,818	166,989	304,754	770,561	454,818	1,225,379

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(146,416)	(117,776)
Net cash used in investing activities	(7,077)	(18,346)
Net cash from financing activities	<u>216,793</u>	<u>102,544</u>
Net increase (decrease) in cash and cash equivalents	63,300	(33,578)
Cash and cash equivalents at beginning of period	<u>122,213</u>	<u>125,050</u>
Cash and cash equivalents at end of period	<u><u>185,513</u></u>	<u><u>91,472</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general account balances	280,967	158,842
Bank overdrafts	<u>(95,454)</u>	<u>(67,370)</u>
	<u><u>185,513</u></u>	<u><u>91,472</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. Principal accounting policies

The unaudited condensed interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and in compliance with the Hong Kong Accounting Standards (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements should be read, where relevant, in conjunction with the 2004 annual financial statements of the Group.

Save as disclosed below, the accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004.

In 2005, the Group has adopted all new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and HKAS (herein collectively referred to as “new HKFRSs”) which are effective for periods beginning or after 1 January 2005. The comparative figures in respect of 2004 have been amended as required and where necessary, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The comparative figures had been amended in accordance with HKFRS 3 (which the Group had early adopted as disclosed in the 2004 audited financial statements). The change had resulted in an increase in profit of HK\$14,224,000 for the six months ended 30 June 2004.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice 24 “Accounting for investments in securities” to investments in securities for the 2004 comparative information. From 1 January 2005 onwards, the Group classifies and measures its investment in equity securities in accordance with HKAS 39. Under HKAS 39, the Group’s financial assets are classified as “financial assets at fair value through profit or loss” or “available-for-sale financial assets”. They are carried at fair value, with changes in fair values recognised in income statement and equity respectively. These changes have had no material effect on the previous carrying amount of assets and liabilities at 1 January 2005.

The adoption of other new HKFRSs does not result in substantial changes to the Group’s accounting policies except certain presentation and disclosure of the accounts would be affected.

2. Turnover and segmental information

An analysis of the Group's consolidated turnover and contribution to profit (loss) from operations by principal activity and geographical location for the six months ended 30 June 2005 and 2004 is as follows:

	Turnover		Contribution to profit (loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2005	2004	2005	2004
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited and Restated HK\$'000
By principal activity:				
Trading and manufacturing	686,966	672,007	(29,182)	(5,591)
Property investment and development	6,879	6,680	110,563	16,855
Media and publications	96,711	79,388	(34,044)	(8,973)
Securities and financial services	55,001	66,684	(14,853)	8,085
Travel and related services	766,087	718,305	5,162	8,708
Information and technology	30,588	16,862	(3,750)	(3,275)
Agriculture	562	652	(4,355)	(3,648)
Investment holding	–	10	7,503	29,743
	<u>1,642,794</u>	<u>1,560,588</u>	<u>37,044</u>	<u>41,904</u>
By geographical location*:				
The People's Republic of China including				
Hong Kong	1,037,358	946,952	78,255	60,780
United States of America	383,814	397,292	(17,416)	(12,777)
Europe	147,821	168,109	(16,410)	(5,042)
Japan	6,780	2,382	(805)	(95)
Others	67,021	45,853	(6,580)	(962)
	<u>1,642,794</u>	<u>1,560,588</u>	<u>37,044</u>	<u>41,904</u>

* Turnover by geographical location is determined on the basis of the location where merchandise is delivered and/or service is rendered.

3. Depreciation

Profit from operations for the period is arrived at after charging depreciation of approximately HK\$23,325,000 (six months ended 30 June 2004: HK\$26,077,000) in respect of the Group's property, plant and equipment.

4. Income tax expense

Hong Kong profits tax was provided at the rate of 17.5% (six months ended 30 June 2004: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profits at rates of taxation prevailing in the countries in which the Group operates.

Share of tax attributable to associates amounting to approximately HK\$32,000 (six months ended 30 June 2004: tax credit of HK\$393,000) is included in "Share of results of associates" on the face of the condensed consolidated income statement.

5. Interim dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

6. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$27,238,000 (six months ended 30 June 2004: HK\$22,035,000) and on 1,823,401,376 shares (six months ended 30 June 2004: 1,823,401,376 shares) in issue during the period.

Diluted earnings per share is not shown, as there is no dilution effect for both periods.

7. Investment properties

Investment properties of the Group were valued at their open market value at 30 June 2005 by BMI Appraisals Limited, an independent firm of qualified valuers.

8. Interests in associates

The amounts included advances to an affiliated company indirectly held by the Company and details are as follows:

Name of affiliated company	Proportion of issued capital held indirectly by the Company	Advances from the Group as at 30 June 2005 HK\$'000	Guarantees given by the Group HK\$'000
Firm Wise Investment Limited ("FWIL") (note)	30%	293,641	174,000

Note: The advances and guarantees given were used to finance a property development project in Hong Kong. The advances are unsecured, interest bearing at 0.5% per annum, repayable on demand and subordinated to the bank loans of the affiliated company. The guarantees given is to be matured in August 2008 of which approximately HK\$133,022,000 were utilized as at 30 June 2005.

The following details have been extracted from the unaudited financial statements of the Group's significant associate, FWIL, adjusted for the fair value of the investment property as at 30 June 2005 based on the valuation performed by an independent professional qualified valuer:—

	As at 30 June 2005 HK\$'000
Non-current assets	1,500,079
Current assets	19,462
Current liabilities	(86,780)
Non-current liabilities	(415,611)
	<hr/>
	1,017,150
	<hr/>
Attributable interest held by the Group	305,145
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9. Trade receivables

Trade receivables of approximately HK\$409,240,000 (31 December 2004: HK\$286,655,000) are stated net of impairment for trade receivables, substantially with an aging within 6 months.

An impairment is recognised when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables.

10. Bank balances and cash

Approximately HK\$20,280,000 (31 December 2004: HK\$19,950,000) of bank deposits were pledged for the banking facilities granted to the Group.

The bank balances included an amount of approximately HK\$216,391,000 (31 December 2004: HK\$334,288,000) held on behalf of clients of securities and commodities broking business.

11. Trade payables

Trade payables of approximately HK\$525,433,000 (31 December 2004: HK\$471,445,000) are substantially with an aging within 6 months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK\$1.6 billion and profit attributable to the equity holders of the Company of HK\$27.2 million for the six months ended 30 June 2005, representing increases of 5% in turnover and 24% in profit as compared to the same period last year.

Trading and Manufacturing

The trading and manufacturing business recorded a loss of HK\$29.2 million over the period as compared with a loss of HK\$5.6 million over the same period last year. This disappointing result was largely attributable to the underperformance of our manufacturing of toys division. Competitive pricing combined with rising material prices and labour costs adversely affected our margins. Our focus remains on reviewing internal weaknesses and strengthening management accountability.

On the other hand, the footwear manufacturing operation in Tianjin achieved a 63% growth in turnover and 3.5 times growth in net profit to HK\$9.7 million for the period.

Property Investment and Development

The Group has considerable property assets both in Hong Kong and in China. In view of rising property prices and increasing rents, the Group decided to make no sales of properties in the period. However, it is actively seeking to exploit the potential of some of its properties, particularly those in China. We believe our strategy of holding our property assets has proved highly successful.

Media and Publications

The media business reported a loss of HK\$34.0 million over the period as compared with HK\$9.0 million loss for the first half of 2004. This was largely due to investments involved in the aggressive launch of two new weeklies, "8 Weekly" and "Friday" and a new monthly magazine, which have been well-received in the market in terms of circulation, brand recognition and advertising. Despite a demanding market environment, and increased paper costs, the media business saw much progress in market penetration and market share in each of its categories of magazines.

Securities and Financial Services

Our securities broking business has been facing fierce competition in the retail market from the banking industry. This together with the subdued market sentiment caused by China's austerity measures resulted in a fall in turnover, which adversely affected profits. In addition some losses were recorded in the margin financing and personal loans business.

Travel and Related Services

Hong Kong Four Seas Tours Limited ("Four Seas"), the travel business division recorded a turnover of HK\$766.1 million representing a 7% growth from the corresponding period last year. Competitive conditions in the airline industry caused airlines to squeeze travel agents margins. As a result, profits for the division fell. However, we continued to try to expand our market share.

Information and Technology

The increase in turnover from HK\$16.9 million in the corresponding period in 2004 to HK\$30.6 million in the period primarily reflected the business growth and the full period effect of the acquisition of the remaining 51% equity interest in an associate in March 2004.

Agricultural Business

The agricultural business reported a loss of HK\$4.4 million over the period as compared with a HK\$3.6 million loss for the first half of 2004.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, the Group had a current ratio of 1.16 and a gearing ratio of 9.7% (31 December 2004: 1.17 and 5.5% respectively). The gearing ratio is computed on comparing the Group's total long-term bank borrowings of HK\$140.6 million to total equity of HK\$1,448.9 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2005, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

On 22 February 2005, South China Brokerage Company Limited ("SCB"), a subsidiary of the Company, placed 970,000,000 warrants of HK\$0.026 each (the "Warrants") to independent investors. The Warrants entitle the holders to subscribe in cash for ordinary shares of HK\$0.025 each in SCB at a subscription price of HK\$0.1012 per share (subject to adjustment) and are exercisable on or before 2 March 2006. The net proceeds under the warrant placing of approximately HK\$25 million will be used as working capital of the Group.

Save as disclosed above, the Group had no other debt securities or capital instruments as at 30 June 2005 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2005, the Group has no material acquisitions and disposals.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

There was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recent published annual report.

POST BALANCE SHEET EVENT

On 25 July 2005, a subsidiary of Wah Shing International Holdings Limited ("Wah Shing") entered into a conditional sale and purchase agreement to acquire a 75% equity interest in Liaoning Dafa Real Estate Company Limited at a consideration of RMB67.5 million.

PROSPECTS

Trading and Manufacturing

The Group is now much better positioned to benefit from the traditionally stronger second half as a result of management measures taken to improve performance in the first half.

The performance of Wah Shing should improve accordingly and the shoe manufacturing business is expected to be strong.

The Group is taking steps to increase its production capacity across the board, particularly in the fast-growing shoe manufacturing operation.

Property Investment and Development

Although interest rates have increased, conditions in the property market remain buoyant. We expect to dispose of some of our Hong Kong portfolio during the second half and we are optimistic about successfully developing our property potential in China.

Media and Publications

We look forward to a strong second half, riding on the foundations set by the first half. Our focus on the remainder of 2005 will turn the business to profitability and to shorten the maturity period for our newly launched titles.

Securities and Financial Services

Facing increase in competition and rise of funding costs, we will persist to diversify our income mix through different financial products, while we will endeavour to maintain a lean and effective cost structure.

Business conditions should remain favourable with large fund raisings from PRC companies and a continuing inflow of foreign investment.

Travel and Related Services

Four Seas is always looking for opportunities to sell a wider range of travel related products and believes that its extensive distribution network is a clear attraction to many clients. We expect a better second half with the easing of competition in the wholesale air ticketing industry and the development of more profitable new products.

Information and Technology

The information and technology operation continues to strive for sales growth. The growing economy in the Mainland and the improving local economy will provide scope for the operation's development.

Agricultural Business

We will continue the enforcement of our cost control measures in the second half. We expect to have a healthy contribution from our Nanjing fish rearing operation and Hebei winter-dates plantation in the second half of 2005.

EMPLOYEES

As at 30 June 2005, the total number of employees of the Group was approximately 29,000. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared to the most recently published annual report.

OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

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

As at 30 June 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

(1) Long positions in shares

(a) The Company

Name of director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Mr Ng Hung Sang Robert (“Mr Ng”)	Beneficial owner Interests of controlled corporations	71,652,200 1,272,529,612 (Note a)	1,344,181,812	73.72%
Mr Richard Howard Gorges (“Mr Gorges”)	Persons acting in concert	487,949,760 (Note a)	487,949,760	26.76%
Ms Cheung Choi Ngor Christina (“Ms Cheung”)	Persons acting in concert	487,949,760 (Note a)	487,949,760	26.76%

(b) Associated corporations

(i) South China Brokerage Company Limited (“SCB”) (Note b)

Name of director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Mr Ng	Beneficial owner Interests of controlled corporations	7,378,000 3,626,452,500 (Note c)	3,633,830,500	74.74%
Mr Gorges	Beneficial owner	12,174,000	12,174,000	0.25%

(ii) South China Industries Limited (“SCI”) (Note d)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr Ng	Interests of controlled corporations	396,621,357 (Note e)	74.79%

(iii) Nority International Group Limited (“Nority”) (Note f)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr Ng	Interests of controlled corporations	114,118,540 (Note g)	42.52%

(iv) Wah Shing International Holdings Limited (“Wah Shing”) (Note b)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr Ng	Interests of controlled corporations	169,669,688 (Note i)	62.34%

(v) South China Financial Credits Limited (“SCFC”) (Note j)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr Ng Yuk Fung Peter	Beneficial owner	250,000	0.59%

(vi) The Express News Limited (“Express News”) (Note k)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr Ng	Interests of controlled corporations	30 (Note l)	30%

(2) Long positions in underlying shares of associated corporations

SCB

Name of director	Capacity	Number of underlying shares
Mr Ng	Interests of controlled corporations	670,400,000 (Note m)

Notes:

- (a) The 1,272,529,612 shares referred to above include 371,864,000 shares held by Parkfield Holdings Limited (“Parkfield”), 396,050,252 shares held by Fung Shing Group Limited (“Fung Shing”), 16,665,600 shares held by Ronastar Investments Limited (“Ronastar”), 237,303,360 shares held by Bannock Investment Limited (“Bannock”) and 250,646,400 shares held by Eartrade Investments Limited (“Eartrade”). Parkfield, Fung Shing and Ronastar are all wholly owned by Mr Ng. Bannock is a wholly-owned subsidiary of Eartrade which is owned as to 60% by Mr Ng, 20% by Ms Cheung and 20% by Mr Gorges, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr Ng, Ms Cheung and Mr Gorges are deemed to have an interest in 487,949,760 shares in the Company, which are being held by both Bannock and Eartrade.

- (b) The Company owns 74.59% in the issued share capital of SCB and 670,400,000 warrants issued by SCB.
- (c) The 3,626,452,500 shares in SCB are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a director of the Company, Mr Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (d) SCI is a 74.79% owned subsidiary of the Company.
- (e) The 396,621,357 shares in SCI are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a director of the Company, Mr Ng is taken to have a duty of disclosure in relation to the said shares of SCI under the SFO.
- (f) SCI owns 42.52% shareholding in Nority and Nority is considered as SCI's associated corporation.
- (g) The 114,118,540 shares in Nority are held by a wholly-owned subsidiary of SCI. By virtue of the interests in the shares of the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a director of the Company, Mr Ng is taken to have a duty of disclosure in relation to the said shares of Nority under the SFO.
- (h) Wah Shing, a Singapore listed company, is a 62.34% owned subsidiary of SCI.
- (i) The 169,669,688 shares in Wah Shing are held by a wholly-owned subsidiary of SCI. By virtue of the interests in the shares of the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a director of the Company, Mr Ng is taken to have a duty of disclosure in relation to the said shares of Wah Shing under the SFO.
- (j) SCFC is a 97.41% owned subsidiary of SCB.
- (k) Express News is a 70% owned subsidiary of the Company.
- (l) Mr Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.
- (m) These are interests held under warrants of SCB which entitle the holders to subscribe for ordinary shares of SCB at an initial subscription price of HK\$0.1012 per ordinary share (subject to adjustment) exercisable on or before 2 March 2006. The 670,400,000 underlying shares of SCB are held by a wholly-owned subsidiary of the Company. By virtue of the interests in the shares of the Company in relation to which Mr Ng has a duty of disclosure under the SFO as described in Note (a) above and as a director of the Company, Mr Ng is taken to have a duty of disclosure in relation to the said underlying shares of SCB under the SFO.

Save as disclosed above, none of the directors or chief executive of the Company had, as at 30 June 2005, any interests or short positions in the 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 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 Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules.

INFORMATION ON SHARE OPTIONS

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes of the Company and its subsidiaries.

No share option has been granted or outstanding under the share option schemes of the Company and its subsidiaries since their adoption.

Save as disclosed above, at no time during the period ended 30 June 2005, the directors and chief executives had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, other than the interests and short positions of the directors and chief executives of the Company as disclosed above, the following persons had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:—

Name of shareholders	Capacity	Number of ordinary shares	Notes	Approximate percentage of shareholding
Eartrade	Beneficial owner	487,949,760	(a)	26.76%
Bannock	Beneficial owner	237,303,360	(a)	13.01%
Parkfield	Beneficial owner	371,864,000	(b)	20.39%
Fung Shing	Beneficial owner	396,050,252	(b)	21.72%
Mr Ng	Beneficial owner and interests of controlled corporations	1,344,181,812	(b)	73.72%

Notes:

- (a) Eartrade is the holding company of Bannock. The 487,949,760 shares referred to above include the 237,303,360 shares held by Bannock. Mr Ng, Mr Gorges and Ms Cheung have beneficial interests in Eartrade.
- (b) The 1,344,181,812 shares referred to above include 487,949,760 shares held by Eartrade in which 237,303,360 shares held by Bannock, 371,864,000 shares held by Parkfield, 396,050,252 shares held by Fung Shing and 16,665,600 shares held by Ronastar. Mr Ng has beneficial interests in Eartrade, Parkfield, Fung Shing and Ronastar.
- (c) All interests disclosed above represent long positions.

Save as disclosed above, as at 30 June 2005, the Company had not been notified by any other persons (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2005.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, except for the following deviations from code provisions A.4.1 and A.4.2 of the Code.

1. Non-executive directors of the Company were not appointed for a specific term as required by the Code. However, they are subject to retirement by rotation and re-election in accordance with the Company's Articles of Association.
2. In accordance with the Company's Articles of Association, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation at each annual general meeting of the Company, but the directors were not required to retire by rotation at least once every three years. In addition, according to the Company's Articles of Association, any directors appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

To comply with the code provisions of the Code, relevant provisions of the Company's Articles of Association will be reviewed and amendment will be proposed in order that every director shall be subject to retirement by rotation at least once every three years and all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the code provisions of the Code. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises four members namely Mr David Michael Norman who is a non-executive director of the Company, Mr David John Blackett, Mrs Tse Wong Siu Yin Elizabeth and Mr Cheng Hong Kei who are independent non-executive directors of the Company.

The audit committee has reviewed with the management the financial reporting matters, including the unaudited condensed financial statements, related to the preparation of the interim report for the six months ended 30 June 2005.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with terms of reference in compliance with the code provisions of the Code. The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objects resolved by the Board from time to time. The remuneration committee comprises four members namely Mr David Michael Norman who is a non-executive director of the Company, Mr David John Blackett, Mrs Tse Wong Siu Yin Elizabeth and Mr Cheng Hong Kei who are independent non-executive directors of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. The Company has also made specific enquiry of all directors and the Company are not aware of any non-compliance with the required standard as set out in the Model Code throughout the period.

On behalf of the Board
Ng Hung Sang Robert
Chairman

Hong Kong, 27 September 2005

As at the date of this report, the Board of the Company comprises (1) Mr Ng Hung Sang Robert, Mr Richard Howard Gorges, Ms Cheung Choi Ngor Christina and Mr Ng Yuk Fung Peter as executive directors; (2) Ms Ng Jessica Yuk Mui and Mr David Michael Norman as non-executive directors; and (3) Mr David John Blackett, Mrs Tse Wong Siu Yin Elizabeth and Mr Cheng Hong Kei as independent non-executive directors.