



# SOUTH CHINA INDUSTRIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

## 2005 INTERIM REPORT

### UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of South China Industries 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

		<b>Six months ended 30 June</b>	
		<b>2005</b>	<b>2004</b>
		<b>Unaudited</b>	<b>Unaudited and</b>
		<b>HK\$'000</b>	<b>Restated</b>
	<i>Notes</i>		<i>HK\$'000</i>
<b>Turnover</b>	<b>2</b>	<b>1,484,864</b>	<b>1,408,236</b>
Cost of sales		<b>(1,399,103)</b>	<b>(1,306,883)</b>
Gross profit		<b>85,761</b>	<b>101,353</b>
Other operating income (including interest income)		<b>8,738</b>	<b>3,519</b>
Distribution costs		<b>(19,320)</b>	<b>(17,214)</b>
Administrative expenses		<b>(115,287)</b>	<b>(97,821)</b>
Gain from changes in fair value of investment properties		<b>40,734</b>	<b>–</b>
Gain on disposal of available-for-sale financial assets		<b>20,938</b>	<b>–</b>
Gain on disposal of non-trading securities		<b>–</b>	<b>235</b>
Impairment loss recognised on non-trading securities written back		<b>–</b>	<b>23,715</b>
Discount on acquisition of an additional interest in a subsidiary		<b>–</b>	<b>15,665</b>
<b>Profit from operations</b>	<b>2 &amp; 3</b>	<b>21,564</b>	<b>29,452</b>
Finance costs		<b>(5,928)</b>	<b>(3,670)</b>
Share of results of associates		<b>2,077</b>	<b>(3,432)</b>
Allowance for advances to an associate written back		<b>19,094</b>	<b>–</b>
Profit before taxation		<b>36,807</b>	<b>22,350</b>
Income tax expense	<b>4</b>	<b>(929)</b>	<b>(830)</b>
<b>Profit for the period</b>		<b>35,878</b>	<b>21,520</b>
Profit (Loss) attributable to:			
Equity holders of the Company		<b>44,390</b>	<b>21,317</b>
Minority interests		<b>(8,512)</b>	<b>203</b>
		<b>35,878</b>	<b>21,520</b>
<b>Basic earnings per share</b>	<b>6</b>	<b>HK8.37 cents</b>	<b>HK4.02 cents</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 June 2005 Unaudited HK\$'000</b>	31 December 2004 Restated HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Biological assets		<b>68,000</b>	68,000
Property, plant and equipment		<b>279,166</b>	281,836
Investment properties	7	<b>247,677</b>	208,944
Interests in associates	8	<b>422,627</b>	400,718
Available-for-sale financial assets		<b>43,816</b>	–
Non-trading securities		<b>–</b>	29,844
Goodwill		<b>8,497</b>	8,497
Other non-current assets		<b>1,903</b>	1,903
		<b>1,071,686</b>	999,742
<b>CURRENT ASSETS</b>			
Inventories		<b>443,933</b>	321,970
Properties held for sale		<b>19,221</b>	19,221
Trade and other receivables	9	<b>415,704</b>	320,304
Tax recoverable		<b>8,364</b>	6,684
Bank balances and cash	10	<b>210,489</b>	127,815
		<b>1,097,711</b>	795,994
<b>TOTAL ASSETS</b>		<b>2,169,397</b>	1,795,736
<b>CAPITAL AND RESERVES</b>			
Share capital and share premium		<b>246,443</b>	246,443
Other reserves		<b>175,490</b>	169,927
Retained earnings		<b>411,214</b>	397,458
Equity attributable to equity holders of the Company		<b>833,147</b>	813,828
Minority interests		<b>216,358</b>	223,584
<b>TOTAL EQUITY</b>		<b>1,049,505</b>	1,037,412
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year		<b>84,475</b>	45,633
Obligations under finance leases		<b>4,261</b>	7,753
Advances from minority shareholders of subsidiaries		<b>504</b>	496
Deferred tax liabilities		<b>1,744</b>	1,744
		<b>90,984</b>	55,626

		<b>30 June 2005 Unaudited HK\$'000</b>	31 December 2004 Restated HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	626,452	496,755
Amount due to an intermediate holding company		9,773	4,310
Bank borrowings – due within one year		345,906	186,063
Obligations under finance leases		9,286	9,266
Taxation payable		7,262	6,304
Final dividend payable		30,229	–
		<u>1,028,908</u>	<u>702,698</u>
<b>TOTAL LIABILITIES</b>		<u>1,119,892</u>	<u>758,324</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>2,169,397</u></u>	<u><u>1,795,736</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium <i>Unaudited</i> <i>HK\$'000</i>	Other reserves <i>Unaudited</i> <i>HK\$'000</i>	Retained earnings <i>Unaudited</i> <i>HK\$'000</i>	Attributable to equity holders of the Company <i>Unaudited</i> <i>HK\$'000</i>	Minority interests <i>Unaudited</i> <i>HK\$'000</i>	Total <i>Unaudited</i> <i>HK\$'000</i>
At 1 January 2005	246,443	169,927	397,458	813,828	223,584	1,037,412
Profit (Loss) for the period	–	–	44,390	44,390	(8,512)	35,878
Change in fair value of available-for-sale financial assets	–	894	–	894	540	1,434
Released on disposal of available-for-sale financial assets	–	2,821	–	2,821	1,704	4,525
Translation adjustments	–	1,443	–	1,443	(6)	1,437
<b>Total recognised income and expenses for the period</b>	–	5,158	44,390	49,548	(6,274)	43,274
Transfer to statutory reserves	–	405	(405)	–	–	–
Dividends paid to minority shareholders of a subsidiary	–	–	–	–	(952)	(952)
Final dividend in respect of the previous year approved	–	–	(30,229)	(30,229)	–	(30,229)
<b>At 30 June 2005</b>	<b>246,443</b>	<b>175,490</b>	<b>411,214</b>	<b>833,147</b>	<b>216,358</b>	<b>1,049,505</b>
At 1 January 2004	246,443	171,467	307,422	725,332	242,906	968,238
Profit for the period	–	–	21,317	21,317	203	21,520
Change in fair value of non-trading securities	–	703	–	703	425	1,128
Translation adjustments	–	18	–	18	62	80
<b>Total recognised income and expenses for the period</b>	–	721	21,317	22,038	690	22,728
Acquisition of additional equity interest in subsidiaries	–	–	–	–	(32,691)	(32,691)
Transfer to statutory reserves	–	242	(242)	–	–	–
Final dividend in respect of the previous year approved	–	–	(10,607)	(10,607)	–	(10,607)
<b>At 30 June 2004</b>	<b>246,443</b>	<b>172,430</b>	<b>317,890</b>	<b>736,763</b>	<b>210,905</b>	<b>947,668</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>Unaudited</b>	Unaudited
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(108,005)</b>	(131,119)
Net cash used in investing activities	<b>(1,444)</b>	(50,206)
Net cash from financing activities	<b>168,384</b>	140,399
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	<b>58,935</b>	(40,926)
Cash and cash equivalents at beginning of the period	<b>87,663</b>	89,703
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<b>146,598</b>	48,777
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash – general account balances	<b>195,709</b>	79,349
Bank overdrafts	<b>(49,111)</b>	(30,572)
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	<b>146,598</b>	48,777
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## 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 “available-for-sale financial assets”. They are carried at fair value, with changes in fair values recognised in equity. 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	Unaudited and Restated	Unaudited	Unaudited and Restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Trading and manufacturing	681,737	667,119	(29,340)	(5,696)
Property investment and development	5,890	5,298	44,938	4,370
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	–	–	8,909	28,993
	<u>1,484,864</u>	<u>1,408,236</u>	<u>21,564</u>	<u>29,452</u>
By geographical location*:				
The People's Republic of				
China including Hong Kong	879,428	794,600	62,775	48,328
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>1,484,864</u>	<u>1,408,236</u>	<u>21,564</u>	<u>29,452</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\$19,479,000 (six months ended 30 June 2004: HK\$22,270,000) 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\$44,390,000 (six months ended 30 June 2004: HK\$21,317,000) and on 530,335,000 shares (six months ended 30 June 2004: 530,335,000 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") ( <i>note</i> )	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)
	<u>1,017,150</u>
Attributable interest held by the Group	<u>305,145</u>

## 9. Trade receivables

Trade receivables of approximately HK\$312,328,000 (31 December 2004: HK\$224,927,000), substantially with an aging within 6 months, are stated net of provision for impairment.

A provision is made 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\$14,780,000 (31 December 2004: HK\$14,450,000) of bank deposits were pledged for the banking facilities granted to the Group.

## 11. Trade payables

Trade payables of approximately HK\$366,728,000 (31 December 2004: HK\$360,199,000) are substantially with an aging within 6 months.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group recorded turnover of HK\$1.5 billion and profit attributable to the equity holders of the Company of HK\$44.4 million for the six months ended 30 June 2005, representing increases of 5% in turnover and 1.1 times in profit as compared to the same period last year.

#### **Trading and Manufacturing**

The trading and manufacturing business recorded a loss of HK\$29.3 million over the period as compared with a loss of HK\$5.7 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.

#### **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 1.07 and a gearing ratio of 8.1% (31 December 2004: 1.13 and 4.4% respectively). The gearing ratio is computed on comparing the Group's total long-term bank borrowings of HK\$84.5 million to total equity of HK\$1,049.5 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**

The Group had no debt securities or other 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.

### **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 28,400. 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	Approximate percentage of shareholding
Mr Ng Hung Sang Robert ("Mr Ng")	Interests of controlled corporations	396,621,357 (Note a)	74.79%

##### *(b) Associated Corporations*

###### *(i) South China Holdings Limited ("SCH") (Note b)*

Name of director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Mr Ng	Beneficial owner	71,652,200	1,344,181,812	73.72%
	Interests of controlled corporations	1,272,529,612 (Note c)		
Mr Richard Howard Gorges ("Mr Gorges")	Interests of controlled corporations	487,949,760 (Note c)	487,949,760	26.76%
Ms Cheung Choi Ngor Christina ("Ms Cheung")	Interests of controlled corporations	487,949,760 (Note c)	487,949,760	26.76%

*(ii) South China Brokerage Company Limited (“SCB”) (Note d)*

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

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

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

*(iv) Wab Shing International Holdings Limited (“Wab Shing”) (Note h)*

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

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

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

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

<b>Name of director</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of shareholding</b>
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 ( <i>Note m</i> )

#### Notes:

- (a) The 396,621,357 shares in the Company are held by certain wholly-owned subsidiaries of SCH. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) below and as a director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said shares of the Company under the SFO.
- (b) SCH owns 74.79% shareholdings in the Company and is the ultimate holding company of the Company.
- (c) Mr Ng, Ms Cheung and Mr Gorges, through companies wholly-owned and controlled by them, have interests in 487,949,760 shares in SCH. Mr Ng personally owns 71,652,200 shares and through companies wholly-owned and controlled by him, beneficially owns 784,579,852 shares in SCH.
- (d) SCH owns 74.59% in the issued share capital of SCB and 670,400,000 warrants issued by SCB.
- (e) The 3,626,452,500 shares in SCB are held by certain wholly-owned subsidiaries of SCH. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (f) The Company owns 42.52% shareholding in Nority and Nority is considered as the Company's associated corporation.
- (g) The 114,118,540 shares in Nority are held by a wholly-owned subsidiary of the Company. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a director of SCH, 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 the Company.
- (i) The 169,669,688 shares in Wah Shing are held by a wholly-owned subsidiary of the Company. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a director of SCH, 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 SCH.
- (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 SCH. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO as described in Note (c) above and as a director of SCH, 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, its holding company and fellow subsidiaries.

No share option has been granted or is outstanding under the share option scheme of the Company since its adoption.

Save as disclosed above, at no time during the period ended 30 June 2005, the directors and chief executives of the Company 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
Super Giant Limited ("Super Giant")	Beneficial owner	273,602,337	(a)	51.59%
Worldunity Investments Limited ("Worldunity")	Beneficial owner	98,143,020	(a)	18.51%
Tek Lee Finance And Investments Corporation Limited ("Tek Lee")	Corporate Interest	396,621,357	(a)	74.79%
South China (BVI) Limited ("South China BVI")	Corporate Interest	396,621,357	(b)	74.79%
SCH	Corporate Interest	396,621,357	(b)	74.79%
Mr Ng	Corporate Interest	396,621,357	(c)	74.79%

Notes:

- (a) Tek Lee is the holding company of Super Giant, Worldunity and Greenearn Investments Limited ("Greenearn") which hold shares in the Company. The 396,621,357 shares referred above include the 273,602,337 shares held by Super Giant, 98,143,020 shares held by Worldunity and 24,876,000 shares held by Greenearn.

- (b) SCH is the holding company of South China BVI which in turn is the holding company of Tek Lee. The 396,621,357 shares referred above relate to the same parcel of shares.
- (c) Mr Ng, a director of the Company, through Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock Investment Limited and Earntrade Investments Limited, holds a total of 1,344,181,812 shares, being 73.72% shareholdings in SCH. According to the interests of SCH in the shares of the Company, Mr. Ng is taken to be interested in 396,621,357 shares in which SCH is interested by virtue of the SFO.
- (d) 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 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 Lee Wai Choi Albert, Mr Chiu Sin Chun, Mrs Tse Wong Siu Yin Elizabeth and Ms Li Yuen Yu Alice 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 Lee Wai Choi Albert, Mr Chiu Sin Chun, Mrs Tse Wong Siu Yin Elizabeth and Ms Li Yuen Yu Alice 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 as non-executive director; and (3) Mr Lee Wai Choi Albert, Mr Chiu Sin Chun, Mrs Tse Wong Siu Yin Elizabeth and Ms Li Yuen Yu Alice as independent non-executive directors.*