



SOUTH CHINA BROKERAGE COMPANY LIMITED

(Incorporated in Hong Kong Special Administrative Region of the People's Republic of China with limited liability)
(Stock Code: 619)

2005 INTERIM REPORT

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of South China Brokerage Company Limited (the "Company") announces that the unaudited consolidated 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 Unaudited HK\$'000	2004 Unaudited HK\$'000
Turnover	2	56,290	68,538
Other revenue	2	3,262	3,356
Gain from changes in fair value of investment property		18,000	11,000
Reversal of impairment of long term investments		–	1,610
Net unrealized loss on financial assets at fair value through profit or loss		(14,082)	–
Decrease in fair values of short term investments		–	(7,456)
Impairment for loan receivables		(10,722)	(2,650)
Other operating expenses		(49,233)	(52,475)
Profit from operating activities	2 & 3	3,515	21,923
Finance costs		(794)	(535)
Profit before taxation		2,721	21,388
Taxation	4	(48)	–
Profit for the period		2,673	21,388
Attributable to:			
Equity holders of the parent		2,656	21,375
Minority interests		17	13
		2,673	21,388
Basic earnings per share	6	0.05 HK cent	0.44 HK cent

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2005 Unaudited HK\$'000	As at 31 December 2004 Audited <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets		4,410	4,952
Investment property	7	143,000	125,000
Intangible assets		755	836
Other assets		5,853	5,959
Available-for-sale financial assets/ long term investments		14,222	13,975
Long term loans receivable		7,359	5,228
Deferred tax assets		2,792	2,792
		<u>178,391</u>	<u>158,742</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss/short term investments		60,482	66,694
Loans receivable		146,522	174,557
Trade receivables	8	68,588	30,105
Tax recoverable		47	–
Other receivables, prepayments and deposits		22,459	6,706
Amount due from an intermediate holding company		–	4,076
Pledged time deposit		5,500	5,500
Cash held on behalf of clients		216,391	334,288
Cash and bank balances		71,871	51,691
		<u>591,860</u>	<u>673,617</u>
TOTAL ASSETS		<u>770,251</u>	<u>832,359</u>
CAPITAL AND RESERVES			
Share capital		121,550	121,550
Reserves		203,890	185,490
		<u>325,440</u>	<u>307,040</u>
Equity attributable to equity holders of the parent		325,440	307,040
Minority interest		1,388	1,371
TOTAL EQUITY		<u>326,828</u>	<u>308,411</u>

	<i>Notes</i>	As at 30 June 2005 Unaudited HK\$'000	As at 31 December 2004 Audited HK\$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases		194	302
Bank and other borrowings-due after one year		<u>56,086</u>	<u>29,522</u>
		56,280	29,824
CURRENT LIABILITIES			
Client deposits		197,001	294,993
Trade payables	8	76,829	64,323
Tax payable		1,756	1,775
Other payables and accrued charges		8,418	8,503
Obligations under finance leases		214	205
Bank and other borrowings-due within one year		102,106	124,325
Amount due to an intermediate holding company		<u>819</u>	<u>–</u>
		387,143	494,124
TOTAL LIABILITIES		<u>443,423</u>	<u>523,948</u>
TOTAL EQUITY AND LIABILITIES		<u>770,251</u>	<u>832,359</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital <i>Unaudited</i> <i>HK\$'000</i>	Other Reserves <i>Unaudited</i> <i>HK\$'000</i>	Accumulated losses <i>Unaudited</i> <i>HK\$'000</i>	Attributable to equity holders of the parent <i>Unaudited</i> <i>HK\$'000</i>	Minority Interest <i>Unaudited</i> <i>HK\$'000</i>	Total equity <i>Unaudited</i> <i>HK\$'000</i>
THE GROUP						
At 1 January 2005	121,550	205,524	(20,034)	307,040	1,371	308,411
Change in fair value of available-for-sale financial assets	–	248	–	248	–	248
Profit for the period	–	–	2,656	2,656	17	2,673
Total income and expenses recognized during the period	–	248	2,656	2,904	17	2,921
Placement of warrants	–	25,220	–	25,220	–	25,220
Dividend paid	–	–	(9,724)	(9,724)	–	(9,724)
At 30 June 2005	121,550	230,992	(27,102)	325,440	1,388	326,828
At 1 January 2004	121,550	203,466	(78,886)	246,130	1,749	247,879
Net decrease in fair value of long term investments not recognised in the income statement	–	(10)	–	(10)	–	(10)
Profit/(loss) for the period	–	–	21,375	21,375	(362)	21,013
Total income and expenses recognized during the period	–	(10)	21,375	21,365	(362)	21,003
Dividend paid	–	–	(9,724)	(9,724)	–	(9,724)
At 30 June 2004	121,550	203,456	(67,235)	257,771	1,387	259,158

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	Unaudited	Unaudited
	HK\$'000	HK\$'000
NET CASH FROM OPERATING ACTIVITIES	1,232	13,419
NET CASH USED IN INVESTING ACTIVITIES	(794)	(2,110)
NET CASH FROM FINANCING ACTIVITIES	24,697	4,150
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,135	15,459
Cash and cash equivalents at beginning of the period	46,736	52,057
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	71,871	67,516
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	71,871	67,516

NOTES

For the six months ended 30 June 2005

1. 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 of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the compliance with 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 in conjunction with the 2004 annual financial statements.

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 new HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
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 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
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 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement

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 profit or loss 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. Segment Information

(a) An analysis of the Group’s revenue and contribution to profit from operating activities by business segment is as follows:

For the six months ended 30 June 2005

	Securities broking HK\$'000	Securities trading and investment HK\$'000	Margin financing and money lending HK\$'000	Corporate advisory and underwriting HK\$'000	Property investment and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:							
Sales to external customers	32,199	4,201	16,604	4,326	2,222	–	59,552
Intersegment sales	–	–	265	–	–	(265)	–
	<u>32,199</u>	<u>4,201</u>	<u>16,869</u>	<u>4,326</u>	<u>2,222</u>	<u>(265)</u>	<u>59,552</u>
Contribution from segments	<u>277</u>	<u>(11,917)</u>	<u>(2,335)</u>	<u>(765)</u>	<u>18,255</u>		<u>3,515</u>

For the six months ended 30 June 2004

	Securities broking HK\$'000	Securities trading and investment HK\$'000	Margin financing and money lending HK\$'000	Corporate advisory and underwriting HK\$'000	Property investment and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:							
Sales to external customers	43,717	6,110	16,057	4,156	1,854	–	71,894
Intersegment sales	–	–	308	–	–	(308)	–
	<u>43,717</u>	<u>6,110</u>	<u>16,365</u>	<u>4,156</u>	<u>1,854</u>	<u>(308)</u>	<u>71,894</u>
Contribution from segments	<u>7,268</u>	<u>(1,003)</u>	<u>5,135</u>	<u>(403)</u>	<u>10,926</u>		<u>21,923</u>

(b) Over 90% of the Group’s revenue and results are derived from Hong Kong.

3. Depreciation

Profit from operating activities for the period is arrived at after charging depreciation of approximately HK\$1,336,000 (six months ended 30 June 2004: HK\$2,574,000) in respect of the Group's fixed assets.

4. Taxation

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

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 parent of HK\$2,656,000 (six months ended 30 June 2004: HK\$21,375,000) and 4,861,990,940 ordinary shares (six months ended 30 June 2004: 4,861,990,940 ordinary shares) in issue during the period.

No diluted earnings per share has been presented because the exercise price of the Company's warrants was higher than the average market price for shares for the six months ended 30 June 2005.

Diluted earnings per share amounts for the six months ended 30 June 2005 has not been disclosed as no diluting events existed.

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. Trade receivables and payables

All of the Group's trade receivables and payables are aged within 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of the year, the local stock market sentiment was affected by the increase in the US and Hong Kong interest rate and the economic austerity measures enforced by the Mainland Government. Consequently, the growth in retail market activities was seriously hindered.

The Group recorded a profit attributable to shareholders of HK\$2.7 million for the first six months ended 30 June 2005, a drop of HK\$18.7 million as compared to the same period last year, and the Group's turnover decreased 18% from HK\$68.5 million to HK\$56.3 million.

With the continuous efforts to bring down direct and indirect costs without compromising any of our service standards, the administrative and operating expenses were further reduced by 6%, as compared to the same period last year, to HK\$49.2 million.

Securities broking, trading and investment

We are facing fierce competition in the retail market from the banking industry. This together with the subdued market sentiment and the shift of retail investors' focus to the buoyant property market caused the decrease of our securities broking business income by 26% to HK\$32.2 million as compared with the same period last year. This resulted in fall in profit to HK\$0.3 million for the six months ended 30 June 2005 as compared with HK\$7.3 million for the same period last year.

During the period, the local stock market was highly volatile, the Hang Seng Index started from 14230 at the beginning of 2005 and dropped to its lowest at 13320 and then climbed back to close at 14201 on 30 June 2005. Income from securities trading and investment was HK\$4.2 million as compared with HK\$6.1 million for the same period last year. There was a net unrealised loss in financial assets at fair value through profit or loss being listed investments held for trading of HK\$14.1 million which resulted in an overall loss of HK\$11.9 million in this segment. The Group had financial assets at fair value through profit or loss of HK\$60.5 million and available-for-sale financial assets of HK\$14.2 million as at the end of the period.

Margin financing and money lending

The overall income from the money lending business and margin financing activities increased by 3% to HK\$16.9 million. Due to increase in impairment for loans receivable to HK\$10.7 million for the six months ended 30 June 2005 from HK\$2.7 million for the same period of last year, the result for this segment was a loss of HK\$2.3 million as compared with a profit of HK\$5.1 million for the same period in last year as at June 2005. Our loan and advances portfolio for margin financing activities and money lending business was HK\$153.9 million, a drop of HK\$25.9 million from 31 December 2004.

Corporate advisory and underwriting

Revenue from this segment increased by 4% to HK\$4.3 million as compared with the same period of last year. With additional cost in establishments in Mainland China, the result for the first six months ended 30 June 2005 was a loss of HK\$0.8 million as compared with a loss of HK\$0.4 million for the same period last year.

Property investment and others

Rental income from the investment property at Lippo Centre increased by 20% to HK\$2.2 million comparing with the 2004 interim result. In view of the continued buoyant local property market in the first half of 2005, we reassessed the value of investment property with reference to the open market value of the investment property as at the balance sheet date. Accordingly, we recorded an increase in fair value of the investment property of HK\$18 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has obtained facilities which are renewable on a yearly basis from a number of banks. The facilities for the share margin finance operations are secured by the securities of margin clients and the Group. The facilities for the money lending operations are clean loans. All the facilities are guaranteed by the Company.

As at 30 June 2005, the Group's long term bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$53.3 million (31 December 2004: HK\$29 million), which, when related to the Group's equity of HK\$326.8 million (31 December 2004: HK\$308.4 million), represent a gearing ratio of approximately 16.3% (31 December 2004: 9.4%).

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

CAPITAL STRUCTURE

The Group had no other debt securities as at 30 June 2005 and up to the date of this announcement.

INVESTMENTS

In accordance with HKAS 39, all long term investments were designated as available-for-sale financial assets and all short term investments were designated as financial assets at fair value through profit or loss on 1 January 2005.

For the six months ended 30 June 2005, available-for-sale financial assets increased due to increase in fair value of available-for-sales financial assets by HK\$0.3 million.

Financial assets at fair value through profit or loss were decreased by HK\$6.2 million after accounting for the decrease in fair value of the financial assets at fair value through profit or loss by HK\$14.1 million and net addition of financial assets at fair value through profit or loss by HK\$4 million and gain on disposal of financial assets at fair value through profit or loss by HK\$3.9 million.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries and associates for the six months ended 30 June 2005.

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.

PROSPECTS

Despite the pressures from interest rate hikes both in the US and Hong Kong and fluctuating global oil prices, the continued pick-up in the domestic economy and inflow of hot money is likely to lift up the momentum of the Hong Kong stock market. Market activities are expected to have improvement in the second half of the year.

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

EMPLOYEES

As at 30 June 2005, the total number of employees of the Group was approximately 203 (30 June 2004: approximately 193).

The Group considers its employees as its most valuable asset. Apart from salary payment, other staff benefits include medical subsidies, life insurance, provident fund and subsidized external training. Continuous Professional Training will continue to be arranged for those staff registered with the Securities and Futures Commission. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme on 18 June 2002.

OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare 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:

(a) Interests and short positions in the shares, underlying shares and debentures of the Company

(i) Long positions in the shares of 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	7,378,000 3,626,452,500 (<i>Note a</i>)	3,633,830,500	74.74%
Mr. Richard Howard Gorges ("Mr. Gorges")	Beneficial owner	12,174,000	12,174,000	0.25%

(ii) Long positions in the underlying shares of the Company

Name of director	Capacity	Number of underlying shares
Mr. Ng	Interests of controlled corporations	670,400,000 (<i>Note b</i>)

(b) Interests and short positions in the shares, underlying shares and debentures of the associated corporations of the Company

Long positions in the shares of the following associated corporations of the Company

(i) South China Holdings Limited (“SCH”) (Note c)

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 d)		
Mr. Gorges	Interests of controlled corporations	487,949,760 (Note d)	487,949,760	26.76%
Ms. Cheung Choi Ngor, Christina (“Ms Cheung”)	Interests of controlled corporations	487,949,760 (Note d)	487,949,760	26.76%

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

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

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

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

(iv) Wab Shing International Holdings Limited (“Wab Shing”) (Note i)

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

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

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

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

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

Notes:

- (a) The 3,626,452,500 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 (d) 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) These are interests held under warrants of the Company which entitle the holders to subscribe for ordinary shares of the Company 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 in the Company 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 (d) below and as a director of SCH, Mr. Ng is taken to have a duty of disclosure in relation to the said underlying shares of the Company under the SFO.
- (c) SCH owns 74.59% in the issued share capital of the Company and 670,400,000 warrants issued by the Company.
- (d) 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.
- (e) SCI is a 74.79% owned subsidiary of SCH.
- (f) The 396,621,357 shares in SCI 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 (d) above and as a director of SCH, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCI under the SFO.

- (g) SCI owns a 42.52% shareholding in Nority and is considered as SCI's associated corporation.
- (h) 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 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 (d) 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.
- (i) Wah Shing, a Singapore listed company, is a 62.34% owned subsidiary of SCI.
- (j) 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 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 (d) 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.
- (k) SCFC is a 97.41% owned subsidiary of the Company.
- (l) Express News is a 70% owned subsidiary of SCH.
- (m) Mr. Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.

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 of the Listing Rules.

SHARE OPTION SCHEME

No share option has been granted or 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 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 SFO:

(i) Long positions in the shares of the Company

Name of shareholders	Capacity	Number of ordinary shares	Notes	Approximate percentage of shareholding
East Hill Development Limited ("East Hill")	Beneficial owner	1,800,000,000		37.02%
Tek Lee Finance and Investment Corporation Limited ("Tek Lee")	Beneficial owner, interests of controlled corporations	3,626,452,500	(a)	74.59%
South China (BVI) Limited	Interests of controlled corporations	3,626,452,500	(b)	74.59%
SCH	Interests of controlled corporations	3,626,452,500	(b)	74.59%
Mr. Ng	Beneficial owner, interests of controlled corporations	3,633,830,500	(c)	74.74%

(ii) Long positions in the underlying shares of the Company

Name of shareholders	Capacity	Number of underlying shares	Notes
Tek Lee	Beneficial owner	670,400,000	(d)
South China (BVI) Limited	Interests of controlled corporations	670,400,000	(d)
SCH	Interests of controlled corporations	670,400,000	(d)
Mr. Ng	Interests of controlled corporations	670,400,000	(d)

Notes:

- (a) Tek Lee is the holding company of East Hill. The 3,626,452,500 shares referred to above include the 1,800,000,000 shares held by East Hill.
- (b) SCH is the holding company of South China (BVI) Limited, which in turn is the holding company of Tek Lee. The 3,626,452,500 shares referred to the same parcel of shares in Note (a) above.

- (c) Mr. Ng through his indirect interest in SCH is taken to be interested in 3,633,830,500 shares referred to Note (a) above in which SCH is interested by virtue of the SFO.
- (d) These are interests held under warrants of the Company which entitle the holders to subscribe for ordinary shares of the Company at an initial subscription price of HK\$0.1012 per ordinary share (subject to adjustment) exercisable on or before 2 March 2006. The four references to 670,400,000 underlying shares relate to the same block of underlying shares of the Company which were held by Tek Lee. By virtue of the SFO, each of South China (BVI) Limited, SCH and Mr. Ng is deemed to be interested in the same 670,400,000 underlying shares of the Company held by Tek Lee as described in Notes (a), (b) and (c) above.

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, REDEMPTION OR SALE OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold 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 one-third, shall retire from office 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 three members namely Mrs. Tse Wong Siu Yin, Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung, Eric 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 three members, Mrs. Tse Wong Siu Yin, Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung, Eric, 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 of dealings as set out in the Model Code throughout the period.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
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, Mr. Chan Hing Wah, Mr. Ng Chun Sang and Mr. Ng Yuk Yeung Paul as executive directors; and (2) Mrs. Tse Wong Siu Yin, Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung, Eric as independent non-executive directors.