

The Directors announce that the unaudited consolidated results of the Group for the six months ended 30th June, 2004 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	Notes	Six months ended 30th June, 2004 <i>HK\$'000</i> (Unaudited)	2003 <i>HK\$'000</i> (Unaudited)
Turnover	4	1,140,354	1,163,661
Interest income		1,741	3,241
Realised gain on disposal of investments in securities		20	1,279
Other operating income		9,275	938
Changes in inventories of finished goods and work-in-progress		(12,501)	24,788
Raw materials and consumables used		(879,945)	(950,702)
		(892,446)	(925,914)
Staff costs		(97,320)	(90,523)
Depreciation and amortisation expenses		(37,789)	(35,314)
Other operating expenses		(93,808)	(86,292)
Profit from operations	5	30,027	31,076
Finance costs	6	(3,652)	(4,212)
Gain on disposal of interest in a subsidiary		2,773	–
Share of results of associates		1,056	(320)
Profit before taxation		30,204	26,544
Taxation	7	(4,230)	(8,022)
Profit before minority interests		25,974	18,522
Minority interests		50	–
Net profit for the period		26,024	18,522
Dividend	9	4,669	4,669
Earnings per share	10		
Basic		HK\$0.06	HK\$0.04

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2004

	Notes	At 30/6/2004 <i>HK\$'000</i> (Unaudited)	At 31/12/2003 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	11	10,225	10,750
Property, plant and equipment	12	382,147	383,692
Interests in associates		222,296	247,008
Investments in securities		89	89
Intangible asset		1,973	1,987
Development cost capitalised	13	20,682	13,195
		637,412	656,721
Current assets			
Inventories		343,273	269,167
Trade and other receivables	14	403,891	315,945
Deposits and prepayments		24,633	21,554
Investments in securities		–	2,063
Bank balances and cash		228,612	335,500
		1,000,409	944,229
Current liabilities			
Trade and other payables	15	518,014	486,638
Tax payable		14,072	9,428
Amount due to an associate		6,568	5,628
Bills payable		4,028	1,063
Secured bank loans due within one year	16	49,803	43,050
Trust receipts loans – secured	16	–	51,994
Bank loans and overdrafts	16		
– secured		258,853	249,738
– unsecured		79,000	80,928
		930,338	928,467
Net current assets		70,071	15,762
Total assets less current liabilities		707,483	672,483
Non-current liabilities			
Secured bank loans due after one year	16	74,100	58,842
Deferred taxation	8	4,132	5,640
		78,232	64,482
Minority interests		346	–
		628,905	608,001
Capital and reserves			
Share capital		46,692	46,692
Reserves		582,213	561,309
		628,905	608,001

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	Share capital	Share premium	Capital redemption reserve	Contributed surplus	Capital reserve	Dividend reserve	Translation reserve	Accumulated profits	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1st January, 2003	46,692	148,864	345	331,559	706	420,231	(65,060)	126,486	1,009,823
Net profit for the period	–	–	–	–	–	–	–	18,522	18,522
Dividend set aside (Note 9)	–	–	–	–	–	4,669	–	(4,669)	–
Dividend paid	–	–	–	–	–	(420,231)	–	–	(420,231)
Exchange difference not recognised in the income statement	–	–	–	–	–	–	(161)	–	(161)
At 30th June, 2003 and 1st July, 2003	46,692	148,864	345	331,559	706	4,669	(65,221)	140,339	607,953
Net profit for the period	–	–	–	–	–	–	–	6,381	6,381
Dividend set aside	–	–	–	–	–	4,670	–	(4,670)	–
Dividend paid	–	–	–	–	–	–	–	(4,669)	(4,669)
Exchange difference not recognised in the income statement	–	–	–	–	–	–	(1,664)	–	(1,664)
At 31st December, 2003 and 1st January, 2004	46,692	148,864	345	331,559	706	9,339	(66,885)	137,381	608,001
Net profit for the period	–	–	–	–	–	–	–	26,024	26,024
Dividend set aside (Note 9)	–	–	–	–	–	4,669	–	(4,669)	–
Dividend paid	–	–	–	–	–	(9,339)	–	–	(9,339)
Exchange difference not recognised in the income statement	–	–	–	–	–	–	4,219	–	4,219
At 30th June, 2004	<u>46,692</u>	<u>148,864</u>	<u>345</u>	<u>331,559</u>	<u>706</u>	<u>4,669</u>	<u>(62,666)</u>	<u>158,736</u>	<u>628,905</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2004**

	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(50,436)	(57,534)
Investing activities		
Proceeds from disposal of a subsidiary (Note 17)	3,000	–
Other investing activities	(28,095)	(51,791)
Net cash used in investing activities	(25,095)	(51,791)
Financing activities		
Dividend paid	(9,339)	(420,231)
Other financing activities	(26,052)	87,936
Net cash used in financing activities	(35,391)	(332,295)
Net decrease in cash and cash equivalents	(110,922)	(441,620)
Cash and cash equivalents at 1st January	335,500	611,194
Effect of exchange rate changes	4,034	40
Cash and cash equivalents at 30th June	<u>228,612</u>	<u>169,614</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>228,612</u>	<u>169,614</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2003.

3. SEGMENT INFORMATION

For management segment reporting purposes, the Group was organised into two operating divisions – EMS* electronic products and ODM** electronic products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

EMS electronic products – manufacture and distribution of electronic products for EMS customers.

ODM electronic products – original product development and marketing for ODM customers.

* EMS denotes electronic manufacturing service

** ODM denotes original product development and marketing

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

3. SEGMENT INFORMATION – Continued

Segment information for the six months ended 30th June, 2004 and 2003 is as follows:

Business segments

	For the six months ended 30th June, 2004				Consolidated HK\$'000
	EMS division HK\$'000	ODM division HK\$'000	Other divisions [#] HK\$'000	Eliminations HK\$'000	
TURNOVER					
External sales	1,135,591	4,370	393	–	1,140,354
Inter-segment sales	693	–	–	(693)	–
Total	<u>1,136,284</u>	<u>4,370</u>	<u>393</u>	<u>(693)</u>	<u>1,140,354</u>
SEGMENT RESULT	<u>45,414</u>	<u>(13,666)</u>	<u>(2,541)</u>		29,207
Unallocated corporate expenses					(10,196)
Interest income					1,741
Other operating income					9,275
Profit from operations					<u>30,027</u>

	For the six months ended 30th June, 2003				Consolidated HK\$'000
	EMS division HK\$'000	ODM division HK\$'000	Other divisions [#] HK\$'000	Eliminations HK\$'000	
TURNOVER					
External sales	1,089,816	53,402	20,443	–	1,163,661
Inter-segment sales	55,782	27	1,450	(57,259)	–
Total	<u>1,145,598</u>	<u>53,429</u>	<u>21,893</u>	<u>(57,259)</u>	<u>1,163,661</u>
SEGMENT RESULT	<u>56,855</u>	<u>(15,415)</u>	<u>(5,426)</u>		36,014
Unallocated corporate expenses					(9,117)
Interest income					3,241
Other operating income					938
Profit from operations					<u>31,076</u>

Other divisions included properties investment and sales of goods other than EMS and ODM products.

The transactions with inter-segments were carried out at the estimated market prices determined by the Company's directors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

4. TURNOVER

Turnover represents the aggregate of gross invoiced sales less returns and discounts.

5. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortisation of intangible asset	20	20
Depreciation on property, plant and equipment	37,769	35,294
Loss on disposal of investment properties	11	220
Loss on disposal of property, plant and equipment	1,137	—
Research and development costs	4,308	—
	<u>4,308</u>	<u>—</u>

6. FINANCE COSTS

The amounts represent interest on bank loans and overdrafts which are wholly repayable within five years.

7. TAXATION

	Six months ended 30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Profits tax		
Hong Kong	4,647	5,288
Other jurisdictions	25	6
Under (over)-provision in the previous period	776	(52)
Deferred tax (Note 8)	(1,508)	2,599
Share of taxation attributable to associates	290	181
	<u>4,230</u>	<u>8,022</u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

8. DEFERRED TAXATION

The followings are the major deferred tax (liability) asset recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax allowances HK\$'000	Estimated tax losses HK\$'000	Total HK\$'000
At 1st January, 2003	(13,794)	2,787	(11,007)
Charged to the income statement	<u>(2,496)</u>	<u>(103)</u>	<u>(2,599)</u>
At 30th June, 2003 and 1st July, 2003	(16,290)	2,684	(13,606)
Credited (charged) to the income statement	<u>8,563</u>	<u>(597)</u>	<u>7,966</u>
At 31st December, 2003 and 1st January, 2004	(7,727)	2,087	(5,640)
Credited to the income statement	<u>1,158</u>	<u>350</u>	<u>1,508</u>
At 30th June, 2004	<u>(6,569)</u>	<u>2,437</u>	<u>(4,132)</u>

At 30th June, 2004, the Group has estimated unused tax losses of HK\$241 million (31/12/2003: HK\$221 million) available for offsetting against future profits. Deferred tax asset has been recognised in respect of HK\$14 million (31/12/2003: HK\$12 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$227 million (31/12/2003: HK\$209 million) due to the unpredictability of future profit streams. Included in estimated unused tax losses are losses of HK\$10 million (31/12/2003: HK\$17 million) that will expire in 2008. Other tax losses may be carried forward indefinitely.

9. DIVIDEND

	Six months ended 30th June, 2004 HK\$'000	2003 HK\$'000
Proposed interim dividend	<u>4,669</u>	<u>4,669</u>

The directors have resolved to pay an interim dividend of HK\$0.01 (2003: interim dividend of HK\$0.01) per share. The afore-mentioned interim dividend will be paid on Friday, 15th October, 2004 to the shareholders whose names are on the Register of Members on Friday, 8th October, 2004.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's net profit for the period of HK\$26,024,000 (six months ended 30/6/2003: HK\$18,522,000) and the number of ordinary shares of 466,921,794 (six months ended 30/6/2003: 466,921,794).

No diluted earnings per share have been presented as there were no potential ordinary shares in issue in both periods.

11. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At valuation	
At 1st January, 2004	10,750
Disposals	(525)
At 30th June, 2004	<u><u>10,225</u></u>

The investment properties are situated in Hong Kong and are held under medium-term leases.

At 30th June, 2004, the directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$57,603,000 on additions to property, plant and equipment. In addition, the Group disposed of property, plant and equipment with an aggregate net book value of approximately HK\$21,558,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

13. DEVELOPMENT COST CAPITALISED

During the period, the Group capitalised approximately HK\$7,487,000 as development cost. Up to 30th June, 2004, the development of the product has not yet been completed and therefore no amortisation was provided thereon. Amortisation will be provided in accordance with the Group's accounting policy when the development is completed and is ready for use. However, development cost is recognised as expense when it is anticipated that the development cost will not be recovered through future commercial activity.

14. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	At 30/6/2004 <i>HK\$'000</i>	At 31/12/2003 <i>HK\$'000</i>
Trade receivables		
0 – 60 days	364,938	278,259
61 – 90 days	4,512	1,321
Over 90 days	1,909	1,303
	371,359	280,883
Other receivables	32,532	35,062
	403,891	315,945

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

15. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	At 30/6/2004 <i>HK\$'000</i>	At 31/12/2003 <i>HK\$'000</i>
Trade payables		
0 – 60 days	422,303	414,423
61 – 90 days	450	6,144
Over 90 days	11,848	10,964
	<u>434,601</u>	<u>431,531</u>
Other payables	83,413	55,107
	<u><u>518,014</u></u>	<u><u>486,638</u></u>

16. BORROWINGS

During the period ended 30th June, 2004, the Group obtained new bank loans of approximately HK\$97 million and repaid the trust receipts loans of approximately HK\$52 million. The loans bear interest at market rates and are repayable within five years from the balance sheet date. The proceeds were used to finance its operations.

17. DISPOSAL OF A SUBSIDIARY

The net cash inflow arising on disposal of Season Plastics Products (Shenzhen) Co., Ltd., a wholly owned subsidiary of the Company, was as follows:

	At 30/6/2004 <i>HK\$'000</i>
Net assets disposed of	227
Gain on disposal	2,773
	<u>3,000</u>
Total consideration	<u><u>3,000</u></u>
Satisfied by:	
Cash consideration	<u><u>3,000</u></u>

The subsidiary being disposed of did not make any significant contributions to the results or cash flow of the Group during the interim period ended 30th June, 2004. Details are set out in the announcement dated 2nd December, 2003.

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of HK\$0.01 per share (2003: interim dividend of HK\$0.01). The afore-mentioned interim dividend will be paid on Friday, 15th October, 2004 to the shareholders on the Register of Members on Friday, 8th October, 2004.

The Register of Members will be closed from Monday, 4th October, 2004 to Friday, 8th October, 2004, both days inclusive, during which period no further transfer of shares will be effected. To qualify for the above dividend, all transfers accompanied by the relevant certificates must be lodged with the Company's registrars, Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 30th September, 2004.

REVIEW OF BUSINESS ACTIVITIES

The Group's turnover declined 2.0% compared to the first half of 2003 mainly due to the Group's exit from the business of broadband modems during the first half of 2004. Profit from operations is slightly lower than the amount booked in the first half of 2003.

The turnover of the Electronic Manufacturing Service Division (the "EMS Division") increased slightly in the first half of 2004 compared to the same period of last year. Profit from operations, nevertheless, showed a moderate decline due to increased costs of component materials and increased headcounts. Headcounts had been increased in anticipation of a projected increase in business volume which did not materialise. The rate of growth in the volume of mobile communications products manufactured was lower than expected. As a result, the turnover growth during the period was affected. The Division's factory in Suzhou, the P.R.C., which started operation in the second quarter of last year, suffered minor losses during the period, and the factory in Mexicali, Mexico ceased operation at the end of April 2004. During the period, the EMS Division continued the focus on the provision of value engineering and design services to customers. Specialized manufacturing and material teams were formed to enhance the services to individual customers. The Directors are confident that such measures will enable the Division to adapt to any possible increase in business volume in the second half of 2004 and to secure business growth in the long term.

REVIEW OF BUSINESS ACTIVITIES – Continued

During the period, the Original Design and Marketing Division (the “ODM Division”) made a strategic decision to exit from the very competitive business of broadband modems. As a result, the loss incurred by the ODM Division for the first half of 2004 decreased significantly compared to the corresponding period last year. The ODM Division now focuses on the development and marketing of wireless communication products such as mobile phones and smart phones. The objective of the ODM Division is to build up core competence in wireless technologies, to stay ahead in the application of such technologies in product development and to remain competitive in the long term. The development of certain models of mobile phone has been completed and sales to customers in the P.R.C. will commence soon. The Group’s subsidiary in Calgary, Canada, which was established in 2003 to undertake product development, will also be engaged in the promotion of the ODM Division’s products and the sale of mobile phones in North America and South America.

The Group’s 33% owned associated company in Nanjing, the P.R.C. which was engaged in the manufacture and sales of CDMA mobile phones in the P.R.C., incurred a small loss during the first half of 2004 due to the very competitive conditions prevailing in the mobile phone market of the P.R.C.

DINASTech Holdings Ltd., an associated company of the Group, which was engaged in the development of video technologies for interactive video or television on demand, has entered into a letter of understanding with third parties for the establishment of a company in the United States to promote the application of the technologies developed by the associated company.

With regard to the residential development in the Mid-levels property project (the “Property Project”), units sold since January 2004 were priced at a significantly higher level than that prevailing in the first half of 2003. On that basis, the Directors are optimistic that the overall profitability of the Property Project will continue to improve.

FINANCE

As at 30th June, 2004, the Group had net bank borrowings of HK\$237 million (2003: net bank borrowings of HK\$279 million) representing 37.7% of its shareholders’ equity. The Directors are comfortable with this level of gearing.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since 31st December, 2003.

EMPLOYEES

As at 30th June, 2004, the Group employed approximately 5,000 employees, out of which approximately 3,400 are production workers. In addition to the provision of annual bonuses, medical and life insurances and in-house and external training programs, discretionary bonuses and share options are also available to employees based on their performance. The remuneration policy and packages of the Group are reviewed from time to time.

PROSPECTS

Based on the level of orders on hand, the Directors are optimistic that the turnover of the EMS Division will have a better improvement during the second half of the year as compared to the period under review. The shortage of component materials prevailing in the first half of the year has eased and this should benefit the profit margin for the second half. The cessation of the loss-making operations at the factory in Mexicali, Mexico, and the expected improvement in the performance of the factory in Suzhou, the P.R.C. due to the broadening of its customer base, will further enhance the profit margin of the EMS Division in the second half of the year.

Commercial sales and deliveries of mobile phones will commence shortly and this part of the business is expected to improve the profitability of the Group in the long term.

On behalf of the Directors, I would like to thank our customers, suppliers and business partners for their continued confidence in and support for the Group. I would also like to thank our employees for their loyal, diligent and professional services to the Group.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June, 2004, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“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 of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”), were as follows:

Long positions in shares of the Company

Name of Directors	Capacity	Number of ordinary shares	Percentage interests
Wong Chung Mat, Ben	Beneficial owner and founder of discretionary trust (Note 1)	75,810,699	16.24%
Wong Chung Ah, Johnny	Beneficial owner, interest of child or spouse and founder of discretionary trust (Note 2)	40,693,487	8.72%
Chan Tsze Wah, Gabriel	Beneficial owner	1,237,500	0.27%
Chan Wing Kwong, Paulus	Beneficial owner	1,800,000	0.39%
Tan Chang On, Lawrence	Beneficial owner	10,000	0.00%

Notes:

- Mr. Wong Chung Mat, Ben was deemed (by virtue of the SFO) to be interested in 75,810,699 shares in the Company. These shares were held in the following capacity:
 - 1,000,000 shares were held by Mr. Wong Chung Mat, Ben personally.
 - 74,810,699 shares were held by Salop Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Mat, Ben was regarded as the founder (by virtue of the SFO). The references to 74,810,699 shares deemed to be interested by Mr. Wong Chung Mat, Ben (as disclosed herein), Salop Investment Limited (as disclosed in the section headed “Interests of substantial shareholders”) and Batsford Limited (as disclosed in Note 4(a) under the section headed “Interests of substantial shareholders”) relate to the same block of shares.
- Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 40,693,487 shares in the Company. These shares were held in the following capacity:
 - 1,000,000 shares were held by Mr. Wong Chung Ah, Johnny personally.
 - 1,235,000 shares were held by Ms. Luk Kit Ching, wife of Mr. Wong Chung Ah, Johnny.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Long positions in shares of the Company – Continued

- (c) 38,458,487 shares were held by Kong King International Limited for a discretionary trust, of which Mr. Wong Chung Ah, Johnny was regarded as the founder (by virtue of the SFO). Kong King International Limited was wholly owned by Mountainview International Limited, which was wholly owned by Bermuda Trust (Cook Islands) Limited. Bermuda Trust (Cook Islands) Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited. The references to 38,458,487 shares deemed to be interested by Mr. Wong Chung Ah, Johnny (as disclosed herein), Kong King International Limited, Mountainview International Limited and Bermuda Trust (Cook Islands) Limited (as disclosed in the section headed “Interests of substantial shareholders”), and HSBC International Trustee Limited (as disclosed in Note 3(b) under the section headed “Interests of substantial shareholders”) relate to the same block of shares.

Long positions in shares of associated corporations of the Company

Name of Director	Associated corporation	Capacity	Number of ordinary shares	Percentage interests
Wong Chung Ah, Johnny	Wong’s Properties Limited	Interest of controlled corporations (Note)	2	50%

Note: Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 2 shares in Wong’s Properties Limited. These shares were held by Blessea Investment Limited, which was 50% owned by Glorious Glow Limited, which in turn was wholly owned by Mr. Wong Chung Ah, Johnny.

Certain Directors held qualifying shares in certain subsidiaries of the Group on trust for the Company or other subsidiaries of the Group.

Save as disclosed herein, as at 30th June, 2004, none of the Directors or chief executives of the Company or their respective associates had 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30th June, 2004, persons (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of substantial shareholders	Capacity	Number of ordinary shares	Percentage interests
W. S. Wong & Sons Company Limited	Beneficial owner and interest of controlled corporations (Note 1)	195,338,803	41.84%
Salop Investment Limited	Beneficial owner (Note 2)	74,810,699	16.02%
HSBC International Trustee Limited	Interest of controlled corporations and trustee (Note 3)	67,400,597	14.44%
Batsford Limited	Trustee (Note 4)	270,949,502	58.03%

Name of other persons	Capacity	Number of ordinary shares	Percentage interests
Kong King International Limited	Beneficial owner (Note 5)	38,458,487	8.24%
Mountainview International Limited	Trustee (Note 5)	38,458,487	8.24%
Bermuda Trust (Cook Islands) Limited	Trustee (Note 5)	38,458,487	8.24%
Wong Chung Yin, Michael	Founder of discretionary trust (Note 6)	30,183,960	6.46%

Notes:

1. W. S. Wong & Sons Company Limited was a company controlled by the Wong family and was deemed (by virtue of the SFO) to be interested in 195,338,803 shares in the Company. These shares were held in the following capacity:
 - (a) 191,830,837 shares were held by W. S. Wong & Sons Company Limited.
 - (b) 110,000 shares were held by Good Blend Limited, which was wholly owned by W. S. Wong & Sons Company Limited.
 - (c) 3,397,966 shares were held by Micro-Age Superstore Limited, which was wholly owned by W. S. Wong & Sons Company Limited.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company – Continued

Each of Levy Investment Limited and Salop Investment Limited owned 19% of W. S. Wong & Sons Company Limited, and was in turn wholly owned by Batsford Limited. Accordingly, W. S. Wong & Sons Company Limited was regarded as a controlled corporation of Batsford Limited (by virtue of the SFO). The references to 195,338,803 shares deemed to be interested by W. S. Wong & Sons Company Limited (as disclosed herein) and Batsford Limited (as disclosed in Note 4(c) below) relate to the same block of shares.

2. Please see Note 1(b) under the section headed “Interests of Directors and chief executives”.
3. HSBC International Trustee Limited was deemed (by virtue of the SFO) to be interested in 67,400,597 shares in the Company. These shares were held in the following capacity:
 - (a) 17,584,960 shares were held by Levy Pacific Limited for a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was regarded as the trustee (by virtue of the SFO). The references to 17,584,960 shares deemed to be interested by HSBC International Trustee Limited (as disclosed herein) and Mr. Wong Chung Yin, Michael (as disclosed in Note 6(b) below) relate to the same block of shares.
 - (b) 38,458,487 shares were held by Kong King International Limited for a discretionary trust, of which Mr. Wong Chung Ah, Johnny was regarded as the founder (by virtue of the SFO). Kong King International Limited was wholly owned by Mountainview International Limited, which was wholly owned by Bermuda Trust (Cook Islands) Limited. Bermuda Trust (Cook Islands) Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited. Please see Note 2(c) under the section headed “Interests of Directors and chief executives”.
 - (c) 11,357,150 shares were held by Floral Inc., which was wholly owned by Bermuda Trust (International) Limited, for a discretionary trust. Bermuda Trust (International) Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited.
4. Batsford Limited was deemed (by virtue of the SFO) to be interested in 270,949,502 shares in the Company. These shares were held in the following capacity:
 - (a) 74,810,699 shares were held by Salop Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Mat, Ben was regarded as the founder (by virtue of the SFO). Please see Note 1(b) under the section headed “Interests of Directors and chief executives”.
 - (b) 800,000 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO). The references to 800,000 shares deemed to be interested by Batsford Limited (as disclosed herein) and Mr. Wong Chung Yin, Michael (as disclosed in Note 6(a) below) relate to the same block of shares.
 - (c) 195,338,803 shares were deemed to be interested by W. S. Wong & Sons Company Limited, which was regarded as a controlled corporation of Batsford Limited (by virtue of the SFO). Please see Note 1 above.
5. Please see Note 2(c) under the section headed “Interests of Directors and chief executives”.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company – Continued

6. Mr. Wong Chung Yin, Michael was deemed (by virtue of the SFO) to be interested in 30,183,960 shares in the Company. These shares were held in the following capacity:
 - (a) 800,000 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO). Please see Note 4(b) above.
 - (b) 17,584,960 shares were held by Levy Pacific Limited for a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was regarded as the trustee (by virtue of the SFO). Please see Note 3(a) above.
 - (c) 11,799,000 shares were held for The Pacific Way Unit Trust. Mr. Wong Chung Yin, Michael was regarded as the founder of the discretionary trust (by virtue of the SFO) in relation to the same block of shares.

Save as disclosed, the Directors are not aware of any other persons who, as at 30th June, 2004, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTIONS

There were no outstanding options at the beginning and at the end of the period.

During the six months ended 30th June, 2004, no options were granted, exercised, cancelled or lapsed.

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

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

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2004, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws of the Company.

AUDIT COMMITTEE

The Audit Committee, which comprises all Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June, 2004.

WONG CHUNG MAT, BEN

Chairman

Hong Kong, 14th September, 2004