



SOUTH CHINA BROKERAGE COMPANY LIMITED

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

2002 INTERIM REPORT

UNAUDITED INTERIM RESULTS

The Directors of South China Brokerage Company Limited (the "Company") announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 are as follows:-

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2002	2001
		Unaudited	Unaudited
	Notes	HK\$'000	HK\$'000
TURNOVER	2	48,906	71,558
Other Revenue	2	1,151	506
(Loss)/Gain On Disposal Of Long Term Investments		(26,623)	916
Impairment In Fair Value Of Long Term Investments		(555)	(3,053)
(Decrease)/Increase In Fair Values Of Short Term Investments		(1,916)	118,547
Provision For Bad And Doubtful Debts		(5,844)	(1,454)
Release Of Warrant Subscription Reserve Upon Expiry Of Warrants		—	63,050
General Provisions		—	(40,000)
Administrative And Operating Expenses	3	(72,355)	(84,988)
(LOSS)/PROFIT FROM OPERATIONS	2	(57,236)	125,082
Finance Costs		(731)	(952)
(LOSS)/PROFIT BEFORE TAXATION		(57,967)	124,130
Taxation	4	(80)	(3,564)
(LOSS)/PROFIT AFTER TAXATION		(58,047)	120,566
Minority Interest		(252)	19
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(58,299)	120,585
DIVIDENDS		—	20,677
(LOSS)/EARNINGS PER SHARE			
Basic	5	(1.20) cents	2.48 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2002 Unaudited <i>HK\$'000</i>	As at 31 December 2001 Audited <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed Assets		16,143	115,145
Investment Property		96,500	—
Intangible Assets		1,322	1,322
Other Assets		5,790	6,090
Long Term Investments		24,110	31,967
Long Term Loans Receivable		5,673	10,359
		<u>149,538</u>	<u>164,883</u>
CURRENT ASSETS			
Short Term Investments		46,010	95,695
Loans And Advances		318,331	284,604
Trade Debtors	6	38,868	24,269
Tax Recoverable		1,098	1,098
Other Debtors, Prepayments And Deposits		13,115	13,767
Amount Due From An Intermediate Holding Company		68,792	63,703
Pledged Time Deposits		1,500	1,500
Cash Held On Behalf Of Customers		236,967	185,549
Cash And Bank Balances		25,906	37,792
		<u>750,587</u>	<u>707,977</u>
CURRENT LIABILITIES			
Client Deposits		223,962	181,036
Trade Creditors	7	49,305	19,025
Tax Payable		488	475
Other Creditors And Accruals		9,209	10,376
Interest-Bearing Bank Borrowings		255,390	268,154
		<u>538,354</u>	<u>479,066</u>
NET CURRENT ASSETS		<u>212,233</u>	<u>228,911</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		361,771	393,794
NON-CURRENT LIABILITIES			
Interest-Bearing Bank Borrowings		(31,580)	(31,254)
MINORITY INTEREST		<u>(2,512)</u>	<u>(2,332)</u>
NET ASSETS		<u><u>327,679</u></u>	<u><u>360,208</u></u>
CAPITAL AND RESERVES			
Issued Capital		121,548	121,559
Reserves		151,085	120,355
Retained Profits		55,046	113,432
Proposed Dividends		—	4,862
		<u>327,679</u>	<u>360,208</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Retained Profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	121,554	171,044	119,566	412,164
New Issue Of Shares	73			73
Premium On Issue Of New Shares		246		246
Realisation Of Warrant Subscription Reserve		(63,050)		(63,050)
Increase In Fair Value Of Long Term Investments, Net		26,436		26,436
Transfer To Income Statement :				
On Disposal Of Long Term Investments		(3,920)		(3,920)
Impairment In Fair Values Of Long Term Investments		3,053		3,053
Profit For The Period			120,585	120,585
Dividend Paid			(20,677)	(20,677)
At 30 June 2001	121,627	133,809	219,474	474,910
At 1 January 2002	121,559	120,355	113,432	355,346
Repurchase Of Shares	(19)			(19)
New Issue of Shares	8			8
Premium On Issue Of New Shares		28		28
Increase In Fair Value Of Long Term Investments, Net		2,588		2,588
Transfer To Income Statement :				
On Disposal Of Long Term Investments		27,540		27,540
Impairment In Fair Values Of Long Term Investments		555		555
Loss For The Period			(58,299)	(58,299)
Write Off Premium On Repurchase of Shares			(68)	(68)
Transfer From Profits And Loss Account On Repurchase of Shares		19	(19)	
At 30 June 2002	121,548	151,085	55,046	327,679

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2002 Unaudited HK\$'000	Six months ended 30 June 2001 Unaudited HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(5,411)	(58,960)
INVESTING ACTIVITIES		
Purchase Of Fixed Assets	(2,428)	(3,066)
Decrease In Other Assets	300	150
Proceeds From Disposal Of Long Term Investments	11,365	1,014
Interest Received	1,583	1,692
Dividends Received	126	934
Net Cash From Investing Activities	<u>10,946</u>	<u>724</u>
FINANCING ACTIVITIES		
Repurchase Of Shares	(86)	—
Proceeds From Minority Shareholders	—	2,125
Repayment To Minority Shareholders	(70)	—
Proceeds From Exercise Of Warrants	35	319
Proceeds From Long Term Bank Loans	927	26,750
Repayment Of Long Term Bank Loans	(5,806)	(25,800)
Dividends Paid	(4,862)	(29,174)
Net Cash Used In Financing Activities	<u>(9,862)</u>	<u>(25,780)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(4,327)	(84,016)
Cash And Cash Equivalents At Beginning Of The Period	(223,657)	(205,339)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>(227,984)</u>	<u>(289,355)</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash And Bank Balances	25,906	27,485
Time Deposit	1,500	1,500
Bank Overdrafts, Secured	(19,542)	(40,170)
Short Term Bank Loans	(235,848)	(278,170)
	<u>(227,984)</u>	<u>(289,355)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2002

(1) PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

Same accounting policies are consistently applied in the interim report as those had been applied in the annual financial statements for the year ended 31 December 2001. The financial statements of the interim report have been prepared in accordance with the Standard Accounting Practice 25 ("SSAP 25") issued by the Hong Kong Society of Accountants and under the guidelines of the Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The following recently issued and revised SSAPs are effective for the first time in the presentation of current period's condensed consolidated financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

There is no material impact to the financial results and the financial position of the Group due to the adoption of the above new or revised SSAPs. Accordingly, the presentation in the current period's financial statements has been modified in order to conform with the presentation requirements of the revised SSAPs. Comparative disclosures have been restated in order to achieve consistent presentation.

(2) TURNOVER AND SEGMENTAL INFORMATION

(a) An analysis of the Group's revenue and contribution to the loss (2001: profit) from operations by business segments is as follows:

For the six months ended 30 June 2002

	Broking HK\$'000	Trading and investment HK\$'000	Margin financing HK\$'000	Money lending HK\$'000	Corporate advisory and underwriting HK\$'000	Corporate and other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
Sales to external customers	25,165	(11,901)	9,310	22,867	4,281	335		50,057
Intersegment sales			434				(434)	
	<u>25,165</u>	<u>(11,901)</u>	<u>9,744</u>	<u>22,867</u>	<u>4,281</u>	<u>335</u>	<u>(434)</u>	<u>50,057</u>
Contribution from segments	<u>(19,169)</u>	<u>(42,732)</u>	<u>3,433</u>	<u>5,181</u>	<u>(1,317)</u>	<u>(2,632)</u>		<u>(57,236)</u>

For the six months ended 30 June 2001

	Broking HK\$'000	Trading and investment HK\$'000	Margin financing HK\$'000	Money lending HK\$'000	Corporate advisory and underwriting HK\$'000	Corporate and other HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:								
Sales to external customers	32,615	5,418	19,407	11,714	2,751	159		72,064
Intersegment sales			1,150			1,159	(2,309)	
	<u>32,615</u>	<u>5,418</u>	<u>20,557</u>	<u>11,714</u>	<u>2,751</u>	<u>1,318</u>	<u>(2,309)</u>	<u>72,064</u>
Contribution from segments	<u>(20,361)</u>	<u>119,765</u>	<u>6,288</u>	<u>830</u>	<u>(1,197)</u>	<u>19,757</u>		<u>125,082</u>

(b) Over 90% of the Group's revenue, results, assets and liabilities are derived from Hong Kong.

(3) **ADMINISTRATIVE AND OPERATING EXPENSES**

The amount includes brokerage expenses, personal loan and margin finance funding cost, depreciation and general expenses.

(4) **TAXATION**

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in or derived from Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

(5) **LOSS/EARNINGS PER SHARE**

The calculation of basic loss per share (2001: earnings per share) is based on the loss attributable to shareholders of HK\$58,299,000 (2001: profit of HK\$120,585,000) and the weighted average of 4,863,801,133 ordinary shares (2001: 4,862,383,188 ordinary shares) in issue during the period.

The diluted loss per share for the six months ended 30 June 2002 and earnings per share for 30 June 2001 have not been shown as the warrants and share options outstanding during these periods had an anti-dilutive effect .

(6) **TRADE DEBTORS**

The Group's trade debtors arose from securities, bullion and commodities dealings and provision of corporate advisory and underwriting services.

The aging analysis of the Group's trade debtors net of provision at the balance sheet is as follows:

	As at 30 June 2002 Unaudited HK\$'000	As at 31 December 2001 Audited HK\$'000
Current to 90 days	<u><u>38,868</u></u>	<u><u>24,269</u></u>

The Group allows a credit period up to the settlement dates of respective securities, bullion and commodities transactions or a credit period mutually agreed with the contracting parties.

(7) **TRADE CREDITORS**

The Group's trade creditors arose from securities, bullion and commodities dealings and provision of corporate advisory and underwriting services.

The aging analysis of the Group's trade creditors at the balance sheet date is as follows:

	As at 30 June 2002 Unaudited HK\$'000	As at 31 December 2001 Audited HK\$'000
Current to 90 days	<u><u>49,305</u></u>	<u><u>19,025</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

When comparing to the same period last year, the Group's turnover dropped approximately 32% to HK\$48.9 million and it recorded a net loss of approximately HK\$58.3 million after making provisions for the trading and investment portfolios and the losses on the disposal of long term investments realized in the current period.

Brokerage and Financial Services

With average stock market daily turnover for the first six months of 2002 of approximately HK\$7.34 billion as compared to HK\$9.3 billion of the same period last year, commission income from securities brokerage and underwriting reduced. Turnover from brokerage operation dropped by 23% when compared to same period last year. Interest income from share margin financing and bank deposits dropped substantially by 45% due to the fall in interest rate and the contraction of the margin loan portfolio. The administrative and operating expenses reduced by 15% compared to the last interim period due to cost cutting, rebate to account executives reduced which was affected by low turnover and reduction of bank loan interest.

Impairment in value of long-term investing portfolio was recorded while some of the long-term investments were disposed of at a loss during the period. For the loss of HK\$26.6 million realized on disposal of the long-term investment, the provision had already been made in balance sheet as at 31 December 2001. There was no change in the shareholders' equity as it was a transfer from the balance sheet to the income statement in the current period.

Our corporate finance team was reinforced with the recruitment of experienced staff members. The number of assignments undertaken including new listings, takeovers and general advisory work increased.

Turnover of securities trading from online clients through the platform of Sctrade.com increased substantially despite the operation was not yet making profit. Online bullion trading was also offered to clients and the initial response was satisfactory. A new trading engine will be put in place by the end of the year.

Personal loan

Personal loan business progressed on well and contribution from this operation increased by five times but the business has been dampened by the general soaring of bankruptcy cases.

Management of risk

The credit control guidelines have constantly been updated. With the alarming increase in bankruptcy cases across the industry, approval of personal loan applications was more prudent.

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 2002, the Group's total bank borrowings apart from those for share margin finance business and personal loan business accounted for HK\$22.3 million, which, when related to the Group's shareholders' fund, are equivalent to a gearing ratio of approximately 6.8 % (2001: 10%).

As at 30 June 2002, the Group had no exposure to fluctuations in exchange rates and related hedges.

CAPITAL STRUCTURE

On 21 June 2002, the Company issued 972,387,348 bonus warrants ("Warrants") to its shareholders on the basis of one Warrant for every five ordinary shares in the share capital of the Company, at the subscription price of HK\$0.08 per Warrant. Upon full exercise of the Warrants, the gross proceeds will be approximately HK\$77.8 million and 972,387,348 new shares will fall to be issued (the "New Shares"), representing approximately 20% of the Company's issued share capital of 4,861,936,740 shares as at 21 June 2002, and approximately 17% of the Company's issued share capital of 5,834,324,088 shares as enlarged by the issue of the New Shares. As at the date of this report, a total of 54,200 shares have been issued and allotted as a result of the exercise of relevant amount of Warrants.

The Group had no debt securities or other capital instruments as at 30 June 2002 and up to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries and associated companies for the six months ended 30 June 2002.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2002, the Group's leasehold land and building was mortgaged to a bank for installment and revolving loan facilities.

There is no material change in the Group's contingent liabilities and commitments as compared to the most recent published annual report.

INVESTMENTS

For the six months ended 30 June 2002, the Group's portfolio of Hong Kong listed securities decreased due to realization of certain investment portfolio and losses were sustained. Consequent to the drop of market prices, the balance of investment portfolio has decreased in value.

PROSPECTS

Brokerage and Financial Services

The Group will ensure technical and logistical support to enhance online trading and the expected extension of trading hours. The Group will continue to develop new product lines on traditional as well as online trading services in order to expand its income base. More account executives will be recruited while online trading will be vigorously promoted. Also, the Group has formed a strategic alliance with an institutional broking firm in the US to provide its clients exclusive research, execution and clearing services for Hong Kong securities. This will enable the Group to expand its client base.

As more companies from the PRC are seeking for listing in Hong Kong, demand for professional advisory services will increase. South China Capital Limited, the Group's subsidiary engaging in corporate finance business, has already had a number of assignments including new listings of PRC companies on hand and will be more active in pursuing this business. More experienced personnel will be recruited to support this active business.

Personal Loan

The personal loan business under South China Financial Credits Limited will continue to source funding from various fund raising options, including introduction of strategic partners for its longer term business expansion.

The Group remains cautious on the outlook of the economy for 2002 but will continue to increase product lines and to explore opportunities for expanding the client base. We will continue the lean and mean approach for our operations and constantly review the costs of different sectors of its business. With a low overhead structure, the Group is well positioned to prepare for the turn around of the stock market.

EMPLOYEES

As at 30 June 2002, the total number of employees of the Group was approximately 300.

Remuneration packages are compatible to the market and normally reviewed by senior management annually. 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors resolved not to declare an interim dividend for the six months ended 30 June 2002 (2001: 0.425 HK cents).

DIRECTOR'S INTERESTS IN EQUITY SECURITIES

As at 30 June 2002, the interests of each Director in the equity securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were set out below:-

(i) The Company

Directors	Number of ordinary shares		Number of warrants	
	Personal Interests	Corporate Interests	Personal Interests	Corporate Interests
			(Note a)	
Ng Hung Sang, Robert	7,378,000	—	1,475,600	—
Richard Howard Gorges	16,174,000	—	3,234,800	—

(ii) Ultimate holding company - South China Holdings Limited ("South China Holdings")

Directors	Number of ordinary shares	
	Personal interests	Corporate interests
	(Note b)	(Note b)
Ng Hung Sang, Robert	71,587,200	1,272,529,612
Richard Howard Gorges	—	487,949,760
Cheung Choi Ngor, Christina	—	487,949,760

(iii) Fellow subsidiary - The Express News Limited ("Express News")

Director	Number of ordinary shares	
	Personal interests	Corporate interests
		(Note c)
Ng Hung Sang, Robert	—	30

(iv) Subsidiary - South China Financial Credits Limited

Director	Number of ordinary shares	
	Personal interests	Corporate interests
Shing Shin Cheung, Stewart	500,000	—

Notes:

- These warrants will expire on 21 June 2003.
- Ng Hung Sang, Robert, Richard Howard Gorges and Cheung Choi Ngor, Christina, through companies wholly-owned and controlled by them, have interests in 487,949,760 shares in South China Holdings. Ng Hung Sang, Robert personally owns 71,587,200 shares and through companies wholly-owned and controlled by him, beneficially owns 784,579,852 shares in South China Holdings.
- Ng Hung Sang, Robert and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.

Save as disclosed above and the interests of the Directors in the share options of the Company and its associated corporations as disclosed in the section “Share Option Schemes” below, none of the Directors or Chief Executive nor their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or its associated corporations as at 30 June 2002 as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEMES

(i) The Company

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 31 May 2002, the adoption of a new share option scheme (details of its principal terms were set out in the circular dated 30 April 2002) (“New Scheme”) and the termination of the share option scheme adopted on 12 July 1993 (“Old Scheme”) were approved. On 18 June 2002, the New Scheme became unconditional and the Old Scheme was terminated. Share options granted pursuant to the Old Scheme prior to its termination will remain in force until they lapse in accordance with the terms of the Old Scheme.

Particulars of the outstanding share options of the Company at the beginning and end of the period under the Old Scheme and their movement during the period are as follows:-

	No. of share options outstanding at 1 January 2002	Lapsed during the period	Cancelled during the period	No. of share options outstanding at 30 June 2002	Initial Exercise Price* HK\$	Exercisable Period
Directors						
Ng Hung Sang, Robert	100,000,000	—	—	100,000,000	0.180	15/08/1994- 11/07/2003 <i>note ii</i>
Richard Howard Gorges	50,000,000	—	—	50,000,000	0.180	15/08/1994- 11/07/2003 <i>note ii</i>
Cheung Choi Ngor, Christina	100,000,000	—	—	100,000,000	0.180	15/08/1994- 11/07/2003 <i>note ii</i>
Shing Shin Cheung, Stewart	20,000,000	—	—	20,000,000	0.138	10/05/2002- 11/07/2003 <i>note iii</i>
Ng Chun Sang	20,000,000	—	—	20,000,000	0.238	15/03/2001- 11/07/2003 <i>note iv</i>
Employees	15,000,000	—	—	15,000,000	0.238	15/03/2001- 11/07/2003 <i>note iv</i>
Employees	16,000,000	—	—	16,000,000	0.168	07/06/2002- 11/07/2003 <i>note v</i>
Employees	20,000,000	—	—	20,000,000	0.180	09/07/2002- 11/07/2003 <i>note vi</i>
Total	341,000,000	—	—	341,000,000		

Notes:

- (i) The vesting period of the share options is from the date of grant till the commencement of the exercise period
- (ii) The date of grant was 15 August 1993.
- (iii) The date of grant was 10 May 2001.
- (iv) The date of grant was 15 March 2000.
- (v) The date of grant was 7 June 2001.
- (vi) The date of grant was 9 July 2001.

* exercise price is subject to adjustment

During the six months ended 30 June 2002, no share options were granted, exercised, lapsed or cancelled under the Old Scheme. No share options were granted under the New Scheme during the interim period.

(ii) **Ultimate holding company- South China Holdings**

Pursuant to an ordinary resolution passed at the annual general meeting of South China Holdings held on 31 May 2002, the adoption of a new share option scheme ("SCH New Scheme") and the termination of the share option scheme adopted on 29 July 1992 ("SCH Old Scheme") were approved. On 18 June 2002, the SCH New Scheme became unconditional and the SCH Old Scheme was terminated. Share options granted pursuant to the SCH Old Scheme prior to its termination remained in force until they lapsed in accordance with the terms of the SCH Old Scheme.

Particulars of the outstanding share options of South China Holdings held by the Directors of the Company at the beginning and end of the period under the SCH Old Scheme are as follows:-

Directors	No. of share options outstanding at the beginning and end of the period
Ng Hung Sang, Robert	16,796,000
Richard Howard Gorges	16,796,000
Cheung Choi Ngor, Christina	16,796,000

During the six months ended 30 June 2002, no share options under the SCH Old Scheme were granted or exercised by the Directors of the Company. The SCH Old Scheme lapsed on 28 July 2002. No share options under the SCH New Scheme were granted to the Directors of the Company during the interim period.

(iii) **Fellow subsidiary - South China Industries Limited ("South China Industries")**

Pursuant to an ordinary resolution passed at the annual general meeting of South China Industries held on 31 May 2002, the adoption of a new share option scheme ("SCI New Scheme") and the termination of the share option scheme adopted on 10 August 1992 ("SCI Old Scheme") were approved. On 18 June 2002, the SCI New Scheme became unconditional and the SCI Old Scheme was terminated. Share options granted pursuant to the SCI Old Scheme prior to its termination remained in force until they lapsed in accordance with the terms of the SCI Old Scheme.

Particulars of the outstanding share options of South China Industries held by the Directors of the Company at the beginning and end of the period under the SCI Old Scheme are as follows:-

Directors	No. of share options outstanding at the beginning and end of the period
Ng Hung Sang, Robert	13,000,000
Richard Howard Gorges	13,000,000
Cheung Choi Ngor, Christina	13,000,000

During the six months ended 30 June 2002, no share options under the SCI Old Scheme were granted or exercised by the Directors of the Company. The SCI Old Scheme lapsed on 9 August 2002. No share options under the SCI New Scheme were granted to the Directors of the Company during the interim period.

Save as disclosed above, none of the Directors or chief executive nor their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, those persons (other than the Directors and Chief Executives of the Company whose interests are disclosed above) having an interest of 10 per cent. or more in the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance were as follows:

Shareholders	Number of ordinary shares	Number of warrants
East Hill Development Limited	1,800,000,000	360,000,000
Tek Lee Finance And Investment Corporation Limited	3,626,452,500 (<i>Note a</i>)	725,290,500 (<i>Note a</i>)
South China (BVI) Limited	3,626,452,500 (<i>Note b</i>)	725,290,500 (<i>Note b</i>)
South China Holdings	3,626,452,500 (<i>Note b</i>)	725,290,500 (<i>Note b</i>)

Notes:

- (a) Tek Lee Finance And Investment Corporation Limited ("Tek Lee") is the holding company of East Hill Development Limited. The 3,626,452,500 shares and 725,290,500 warrants referred to above include the 1,800,000,000 shares and 360,000,000 warrants held by East Hill Development Limited respectively.
- (b) South China Holdings 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 and 725,290,500 warrants referred to the same parcel of shares and warrants in (a) above respectively.

ARRANGEMENTS TO PURCHASE, REDEEM OR SELL THE COMPANY'S LISTED SECURITIES

During the period, the Company repurchased, through the Stock Exchange, and cancelled 750,000 ordinary shares (2001: Nil) of HK\$0.025 each in the capital of the Company at prices ranging from HK\$0.107 to HK\$0.118 per share. The purchase consideration was HK\$86,391 (2001: Nil). The difference between the cash consideration and the nominal value of share repurchased of HK\$67,641 (2001: Nil), has been charged to the Company's retained profits.

In addition, HK\$18,750 (2001: Nil), representing the nominal value of the cancelled shares, has been transferred from retained profits to the capital redemption reserve.

Save as disclosed above, 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 2002.

AUDIT COMMITTEE

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 2002.

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 accounting period covered by this interim report in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of

The People's Republic of China

27 September 2002