



SOUTH CHINA BROKERAGE COMPANY LIMITED

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

2002 INTERIM RESULTS

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
		<i>Unaudited</i>	<i>Unaudited</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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

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

	Trading and Broking HK\$'000	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.

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.

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.


PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company will submit a CD ROM to the Stock Exchange containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules for publication on the Stock Exchange's website on or before 30 September 2002.

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

A copy of this announcement can be obtained
from our website www.sctrade.com

 南 華 集 團 成 員
A Member of South China Group