



SOUTH CHINA INDUSTRIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

2002 INTERIM REPORT

UNAUDITED INTERIM RESULTS

The Directors of South China Industries Limited (the “Company”) announce that the unaudited 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>Notes</i>	Unaudited HK\$'000	Unaudited HK\$'000
Turnover	2	583,667	554,863
Cost of sales		(503,480)	(502,543)
Gross profit		80,187	52,320
Other revenue		6,406	9,318
Distribution and selling expenses		(17,320)	(26,822)
Administrative and operating expenses		(84,934)	(103,878)
Provision for loss on properties held for sale		(3,000)	—
Impairment in value of land pending development		(6,014)	—
Impairment in fair value of long-term investments		(10,893)	(693)
Loss from operations	2 & 3	(35,568)	(69,755)
Finance cost		(5,722)	(9,158)
Gain on disposal/deemed disposal of subsidiaries	4	86,142	—
Gain on disposal of long-term listed investments		3,265	—
Share of results of associates		(77,301)	723
Loss before taxation		(29,184)	(78,190)
Taxation	5		
Company and subsidiaries		(586)	(32,762)
Associates		(106)	(239)
Loss before minority interests		(29,876)	(111,191)
Minority interests		15,100	54,018
Loss attributable to shareholders		(14,776)	(57,173)
Basic loss per share	7	(HK2.79 cents)	(HK10.78 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2002 Unaudited HK\$'000	31 December 2001 Restated HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		533,895	564,724
Investment in associates		321,311	403,824
Long-term investments		56,485	48,903
Total non-current assets		911,691	1,017,451
CURRENT ASSETS			
Inventories		245,581	206,324
Properties held for sale		41,452	46,237
Trade receivables	8	233,781	157,863
Prepayments and deposits		58,065	49,389
Due from intermediate holding company		24,171	15,581
Due from a fellow subsidiary		—	10
Due from a related company		—	2,580
Bank balances and cash		133,235	111,311
Total current assets		736,285	589,295
CURRENT LIABILITIES			
Interest bearing bank borrowings		198,004	161,902
Trade payables	9	235,051	213,410
Bills payable and other accrued liabilities		169,406	179,209
Due to fellow subsidiaries		16,401	20,868
Taxation payable		2,144	8,640
Total current liabilities		621,006	584,029
Net current assets		115,279	5,266
Total assets less current liabilities		1,026,970	1,022,717
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings		(90,142)	(107,987)
Deferred taxation		(1,330)	(1,330)
Total non-current liabilities		(91,472)	(109,317)
MINORITY INTERESTS		(286,992)	(250,435)
		648,506	662,965
CAPITAL AND RESERVES			
Share capital and share premium		246,443	246,443
Other reserves		247,889	247,572
Retained earnings		154,174	168,950
		648,506	662,965

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2002

	Share capital and premium Unaudited HK\$'000	Other reserves Unaudited HK\$'000	Retained earnings Unaudited HK\$'000	Total Unaudited HK\$'000
At 1 January 2002	246,443	247,572	168,950	662,965
Loss attributable to shareholders	—	—	(14,776)	(14,776)
Net deficit on revaluation	—	(1,242)	—	(1,242)
Transfer to income statement	—	1,292	—	1,292
Attributable to acquisition of additional interest in subsidiaries	—	715	—	715
Reserve realized upon disposal of subsidiaries	—	(640)	—	(640)
Translation adjustments	—	192	—	192
At 30 June 2002	<u>246,443</u>	<u>247,889</u>	<u>154,174</u>	<u>648,506</u>
At 1 January 2001	246,443	243,839	305,869	796,151
Loss attributable to shareholders	—	—	(57,173)	(57,173)
Transfer from (to) reserves	—	474	(474)	—
Translation adjustments	—	(18)	—	(18)
At 30 June 2001	<u>246,443</u>	<u>244,295</u>	<u>248,222</u>	<u>738,960</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2002 Unaudited HK\$'000	2001 Unaudited HK\$'000
Net cash used in operating activities	(108,774)	(115,538)
Net cash from /(used in) investing activities	30,752	(53,852)
Net cash from financing activities	97,516	104,490
Net increase (decrease) in cash and cash equivalents	19,494	(64,900)
Cash and cash equivalents at beginning of period	19,417	9,108
Cash and cash equivalents at end of period	<u>38,911</u>	<u>(55,792)</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash - general account balances	133,235	74,330
Bank overdrafts	(7,464)	(15,172)
Short-term loans with original maturities of less than three months	(86,860)	(114,950)
	<u>38,911</u>	<u>(55,792)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2002

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 (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and in compliance with the Statement of Standard Accounting Practice No. 25 (SSAP 25) Interim Financial Reporting issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the 2001 annual financial statements.

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 2001, except that the Group has adopted the following new and revised SSAPs which became effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of the new and revised SSAPs has no material effect on the Group's results other than presentational changes. Certain comparative figures have been reclassified to conform with the current period's presentation.

2. Turnover and segmental information

An analysis of the Group's consolidated turnover and contribution to loss from operations by principal activity and geographical location for the six months ended 30 June 2002 and 2001 is as follows:

	Turnover		Contribution to loss from operations	
	Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Trading and manufacturing unit	535,308	507,598	(10,581)	(59,303)
Information technology unit	43,674	44,659	(2,105)	(4,078)
Property development and investment unit	4,443	2,606	(5,390)	1,698
Investment holding and others unit	242	—	(17,492)	(8,072)
	<u>583,667</u>	<u>554,863</u>	<u>(35,568)</u>	<u>(69,755)</u>
By geographical location: *				
United States of America	281,254	272,981	(5,718)	(35,753)
Europe	190,095	125,956	(1,252)	(16,702)
The People's Republic of China and Hong Kong	70,987	82,664	(25,931)	(8,087)
Japan	10,170	20,102	(159)	(4,314)
Others	31,161	53,160	(2,508)	(4,899)
	<u>583,667</u>	<u>554,863</u>	<u>(35,568)</u>	<u>(69,755)</u>

* Turnover by geographical location is determined on the basis of the location where merchandise is delivered and/or service is rendered.

3. Depreciation

Loss from operations for the period is arrived at after charging depreciation of approximately HK\$24,835,000 (2001: HK\$26,847,000) in respect of the Group's property, plant and equipment.

4. Gain on disposal/deemed disposal of subsidiaries

The gain on disposal/deemed disposal of subsidiaries of approximately HK\$86,142,000 related to the financial restructuring of a former listed subsidiary of the Group. Please refer to the Business Review section for the details.

5. Taxation

Hong Kong profits tax was provided at the rate of 16% (2001: 16%) on the estimated assessable profit arising in or derived from Hong Kong. Taxes on profit assessable elsewhere have been calculated at rates of taxation prevailing in the countries in which the Group operates.

In 2001, approximately HK\$32,600,000 was principally related to the additional provision for taxation of prior years resulting from a field audit by the Hong Kong Inland Revenue Department on the transfer price policy of a subsidiary.

6. Dividends

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2002 (2001: Nil).

7. Loss per share

The calculation of basic loss per share for the period is based on the loss attributable to shareholders of approximately HK\$14,776,000 (2001: HK\$57,173,000) and on the number of approximately 530,335,000 shares (2001: 530,335,000 shares) in issue during the period.

Diluted loss per share is not shown as there is no dilution effect for both periods.

8. Trade receivables

Trade receivables are stated net of provision for bad and doubtful debts, substantially with an aging within 6 months.

Sales of goods are largely on credit, except for new customers when trade deposits are normally required. The credit terms of trade debtors are defined in the respective agreements, and usually range from cash before delivery to 90 days after delivery.

9. Trade payables

Trade payables are substantially with an aging within 6 months.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's turnover for the six months ended 30 June 2002 was HK\$583.7 million, increased 5.2% as compared to the last corresponding period of 2001. The growth in turnover was mainly attributed to the sales increase of Wah Shing Electronics Company Limited ("WSE") and shoes trading and manufacturing operation. The loss attributable to shareholders for the period under review amounted to HK\$14.8 million, representing an improvement of 74.2% as compared to the same corresponding period last year. The reduction in loss was primarily due to the improved results of Wah Shing International Holdings Limited ("Wah Shing"). During the interim period, the Group made further provisions of HK\$84 million on its property projects inevitably in the declining property market, of which HK\$75 million were related to the property project held under an associate and reported in the share of results from associates. With the committed effort to streamline operations and the result of stringent cost control measures, the Group achieved a 18.2% reduction in its administrative and operating expenses in the first half of 2002.

South China Information and Technology Limited (now known as Guorun Holdings Limited) ("SCIT"), previously a listed subsidiary of the Company, completed a financial restructuring ("Financial Restructuring") on 28 June 2002. The effects of the Financial Restructuring on the Group were the acquisition of the entire property portfolio of SCIT together with the related mortgages, 49% equity interest of its travel related business and a number of its subsidiaries engaged in information and technology related businesses in the PRC (the "Acquisition") and the dilution of the Group's equity interest in SCIT to 7.17% (the "Deemed Disposal"). The Company paid an aggregate consideration of HK\$239 million to SCIT for the Acquisition of which HK\$238 million was used to set off its outstanding loans due to the Company and the remaining HK\$1 million was paid in cash. Simultaneously, the Company received HK\$65 million in cash from SCIT out of the Deemed Disposal as partial repayment of the balance of its outstanding loans due to the Company. Also, the Group subsequently disposed of part of the remaining interest in SCIT (the "Disposal"). As a result of the Deemed Disposal and the Disposal, the Group in total realized a gain amounting to HK\$86.1 million.

Trading and Manufacturing

Turnover of Wah Shing for the first half of 2002 slightly dropped by 1.5% to HK\$386.2 million due to the sluggish economy. It recorded a loss for the six months period ended 30 June 2002 of HK\$8.6 million, representing a significant improvement of 90% as compared to the loss of HK\$84.4 million recorded in the last corresponding period. Such improvement was mainly attributed to its persistent effort in streamlining and consolidating its workforce and business operations both in Hong Kong and the PRC to match for the cutback in orders. Optimization of economies of scale was achieved following the effective rationalization measures resulting to an overall substantial reduction in production overheads. The integration of Hong Kong and the PRC offices of Wah Shing also enhances its operational efficiency and reduces both product development lead time and response time to customers.

In line with traditional industry low-season patterns, WSE, the toy-related electronics arm recorded a loss in the first half of the year. Orders historically start to accumulate after June for the immediate upcoming Christmas season. This year, however, WSE gained some benefit from a major customer which is evenly distributing its ordering pattern throughout the year, and this resulted in a 30% increase in turnover for the six months under review over the comparable period last year.

The performance of trading and manufacturing of leather shoes operations significantly improved as compared to the last corresponding period and achieved a strong growth in both turnover and earnings. The turnover recorded was doubled and net profit rose four times over the last first six months period. Other leather products and garments operations also improved despite not yet being profitable. Legal proceedings which are instituted by the Group against the subordinate corporations of Tianjin Second Bureau of Light Industry, our Chinese partner in tools and a tannery, and against the subordinate corporation of the Head of Tianjin Garment Company Limited, our Chinese partner in garment manufacturing, which are in breach of the Joint Venture Agreements are still in progress.

Nority International Group Limited (“Nority”) engaged in manufacture and sale of athletic shoes, recorded net profit of HK\$2.1 million. The result was a 92% reduction over the same period last year due to the decline in global demand and fierce competition in the athletic shoes industry.

Information and Technology

The information and technology (“IT”) related businesses recorded a slight decrease in turnover to HK\$43.7 million as compared to the last interim period. The IT businesses underwent a consolidation, in order to create a stronger platform for IT operations in the mainland. Although the IT businesses were not yet making any profits, the net loss of IT businesses in the first half of the year was HK\$2.1 million, which was a 48% reduction in loss over the last corresponding period.

Development and Investment Properties

In the still sluggish property market, provisions of HK\$9 million were made on revaluation which accounted for the net loss of HK\$5.4 million attributable from this business unit for the period.

As at the date of this report, the property project, “The Centrium” in the Central district had leased out around 40% of its total rentable area. The occupancy rate of other investment properties improved and contributed an increased amount of rental income to the Group, though the average rent per square foot dropped during the period.

Travel and Related Services

The travel industry worldwide was recovering slowly after the severe slump in the last quarter of 2001. The travel business associate was thus operating in a tough local market with an escalating unemployment rate and persistently conservative consumer spending, so more resources and efforts were required to sustain the sales level. Intense competition over air ticketing sales squeezed the profit margin.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2002, the Group had a current ratio of 1.2 and a gearing ratio (long term liabilities of approximately HK\$91.5 million over the aggregate of shareholders’ equity of approximately HK\$648.5 million and minority interests of approximately 287.0 million) of 9.8%. The Group’s operations continue to be financed by internal resources and bank borrowings.

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

CAPITAL STRUCTURE

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

During the period, the Group recorded an Acquisition, a Deemed Disposal and a Disposal. Please refer to the Business Review section for the details of the Acquisition, the Deemed Disposal and the Disposal.

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 with the most recent published annual report.

CHANGE OF DIRECTORSHIPS

Mr. Lo Kwok Choi and Mr. Lee Lap Tak resigned as Executive Directors of the Company with effect from 17 June 2002. Ms. Ng, Jessica Yuk Mui and Mr. Ng Yuk Fung, Peter were appointed as Executive Directors of the Company to fill the vacancies with effect from 17 June 2002.

PROSPECTS

Trading and Manufacturing

In spite of the uncertain pace of the global economic recovery, in particular in the U.S., the immediate outlook for Wah Shing in the coming half-year is positive. The aggressive cost cuttings and workforce reduction made over the last eighteen months and the consolidation of operations provide a strong platform for rebound in the toy manufacturing business. In view of these factors and the existing orders on hand, the full year results of Wah Shing for 2002 are expected to return to profitability, barring unforeseen circumstances and excluding any exceptional items. Despite of the uncertain and competitive environment, Wah Shing will continue to attain its flexibility in production through strategic alliance with other manufacturers. Conventional machinery will be upgraded to achieve power savings and production efficiency. Investment will be made in new production processes in order to diversify the product mix and broaden its customer base. Further efforts will be put into research and development of its own design capability.

WSE will continue to make positive contribution to the Group, but the result in the second half of the year is not expected to be as good as the last year, as there was a sizable order for a hot production item in the last quarter of 2001. It will continue with cost tightening measures to ensure optimization of its profit margin and to improve its competitiveness by upgrading its manufacturing process.

New bank trade credit facilities have recently been arranged for the increasing sales volumes of shoes, leather products and garment. The outlook for these trading activities remains promising.

To explore the potential of the PRC market after its accession to the World Trade Organization, Nority has purchased land for building a production plant in Kunshan City, Jiangsu Province and has established a new subsidiary in the PRC.

Information and Technology

Following the financial restructuring of SCIT, the Group continues to strengthen its competitiveness by providing more value-added services to its customers. Our Hong Kong sales team is monitoring the IT joint venture companies in the PRC closely and a number of new IT agency contracts have been concluded recently. We intend to re-organize the structure of some of the smaller IT joint ventures to consolidate them into a bigger platform for further growth.

Development and Investment Properties

In the present declining property leasing market, we expect unit rental income to remain flat or move downward in the coming period. We are striving to keep a stable rental income by providing more flexible terms to retain and attract tenants and by renovating some of the poor-occupancy properties.

Travel and Related Services

In order to gain from the growing momentum of the PRC economy, we are in the process of establishing offices in the developed and highly populated major cities in the PRC. More resources will be allocated to the China related travel business. We expect the revenue from the mainland routes will continue to grow in the future. We are seeking every opportunity to cooperate and co-invest with the PRC local travel agents to expand our networks in the PRC travel market.

Events after the Balance Sheet Date

The remaining 49% equity interest in WSE previously held by a wholly-owned subsidiary of the Company was disposed to Wah Shing group on 30 July 2002 at a cash consideration of HK\$56 million. The disposal enable the Group to demarcate its business segments and rationalise its business structure. The Group's toy-related businesses are now wholly consolidated under Wah Shing Group. Following the injection of WSE, Wah Shing group will be able to leverage on the electronic toys manufacturing expertise of WSE and diversify its earnings base. Thereafter, Wah Shing Group further acquired an additional 2% equity interest in WSE on 13 September 2002 from an independent third party which increased its shareholdings in WSE from 68% to 70%.

EMPLOYEES

As at 30 June 2002, the total number of employees of the Group was approximately 21,000. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared with the most recently published annual report.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

As at 30 June 2002, the interests of each Director of the Company in the equity securities of the associated corporations of the Company (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 under the Listing Rules were set out below:-

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

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

(ii) Fellow subsidiaries

(1) The Express News Limited ("Express News")

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

(2) South China Brokerage Company Limited

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

(3) South China Financial Credits Limited

Directors	Number of ordinary shares	
	Personal interests	Corporate interests
Ng Yuk Fung, Peter	250,000	—

Notes:

- (a) Ng Hung Sang, Robert, Cheung Choi Ngor, Christina and Richard Howard Gorges, 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.
- (b) Ng Hung Sang, Robert and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.
- (c) These warrants will expire on 21 June 2003.

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 the chief executive or 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 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 under the Listing Rules.

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 10 August 1992 (“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 remained in force until they lapsed 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	No. of share options outstanding at 30 June 2002	Initial Exercise Price* (HK\$)	Exercisable Period
Directors					
Ng Hung Sang, Robert	13,000,000	—	13,000,000	1.18	23/12/1994- 09/08/2002 <i>Note ii</i>
Cheung Choi Ngor, Christina	13,000,000	—	13,000,000	1.18	23/12/1994- 09/08/2002 <i>Note ii</i>
Richard Howard Gorges	13,000,000	—	13,000,000	1.18	23/12/1994- 09/08/2002 <i>Note ii</i>
Employees	2,185,000	(50,000)	2,135,000	1.18	23/12/1994- 09/08/2002 <i>Note ii</i>
Employees	402,500	(25,000)	377,500	0.78	18/01/1996- 09/08/2002 <i>Note iii</i>
Total	41,587,500	(75,000)	41,512,500		

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 of share option was 23 December 1993.
- (iii) The date of grant of share option was 18 January 1995.

* exercise price was subject to adjustment

During the six months ended 30 June 2002, no share options were granted, exercised or cancelled under the Old Scheme. The Old Scheme lapsed on 9 August 2002. No share options under the New Scheme have been granted to the Directors of the Company since its adoption.

(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 28 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 of the Company	No. of share options outstanding at the beginning and end of the period
Ng Hung Sang, Robert	16,796,000
Cheung Choi Ngor, Christina	16,792,000
Richard Howard Gorges	16,792,000

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 have been granted to the Directors of the Company since its adoption.

(iii) Fellow subsidiary - South China Brokerage Company Limited ("South China Brokerage")

Pursuant to an ordinary resolution passed at the annual general meeting of South China Brokerage held on 31 May 2002, the adoption of a new share option scheme ("SCB New Scheme") and the termination of the share option scheme adopted on 12 July 1993 ("SCB Old Scheme") were approved. On 28 June 2002, the SCB New Scheme became unconditional and the SCB Old Scheme was terminated. Share options granted pursuant to the SCB Old Scheme prior to its termination will remain in force until they lapse in accordance with the terms of the SCB Old Scheme.

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

Directors of the Company	No. of share options outstanding at the beginning and end of the period
Ng Hung Sang, Robert	100,000,000
Cheung Choi Ngor, Christina	100,000,000
Richard Howard Gorges	50,000,000

During the six months ended 30 June 2002, no share options under the SCB Old Scheme were granted, exercised, lapsed or cancelled by the Directors of the Company. No share options under the SCB New Scheme have been granted to the Directors of the Company since its adoption.

Save as disclosed above, none of the Directors or chief executive or their spouse or children under the age of 18 was granted by the Company, its ultimate holding company, its fellow subsidiaries or any of its subsidiaries have been granted any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, those corporation (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:

Name of shareholder	Number of issued shares	Percentage holding
Super Giant Limited	273,370,337	51.55%
Worldunity Investments Limited	98,143,020	18.51%
Tek Lee Finance And Investment Corporation Limited	396,389,357 (<i>Note a</i>)	74.74%
South China (BVI) Limited	396,389,357 (<i>Note b</i>)	74.74%
South China Holdings Limited	396,389,357 (<i>Note b</i>)	74.74%

Notes:

- (a) Tek Lee Finance And Investment Corporation Limited (“Tek Lee”) is the holding company of Super Giant Limited, Worldunity Investments Limited and Greenearn Investments Limited which hold shares in the Company. The 396,389,357 shares referred above include the 273,370,337 shares held by Super Giant Limited, 98,143,020 shares held by Worldunity Investments Limited and 24,876,000 shares held by Greenearn Investments Limited.
- (b) South China Holdings Limited is the holding company of South China (BVI) Limited which in turn is the holding company of Tek Lee. The 396,389,357 shares referred above relate to the same parcel of shares.

Save as disclosed above, the Company had no notice of any interests to be recorded under Section 16(1) of the SDI Ordinance as at 30 June 2002.

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

Neither the Company nor any of its subsidiaries has 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