



# SOUTH CHINA INDUSTRIES LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

## 2003 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 2003 are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

|   |              | <b>Six months ended 30 June</b> |                  |
|---|--------------|---------------------------------|------------------|
|   |              | <b>2003</b>                     | <b>2002</b>      |
|   |              | <b>Unaudited</b>                | <b>Unaudited</b> |
|   | <i>Notes</i> | <b>HK\$'000</b>                 | <b>HK\$'000</b>  |
| <b>Turnover</b>                                   | 2            | <b>1,198,111</b>                | 583,667          |
| Cost of sales                                     |              | <b>(1,080,644)</b>              | (503,480)        |
| Gross profit                                      |              | <b>117,467</b>                  | 80,187           |
| Other revenue                                     |              | <b>9,259</b>                    | 6,406            |
| Distribution and selling expenses                 |              | <b>(19,887)</b>                 | (17,320)         |
| Administrative and operating expenses             |              | <b>(97,794)</b>                 | (84,934)         |
| Impairment of non-trading securities              |              | <b>(3,382)</b>                  | (10,893)         |
| Provision for loss of properties held for sale    |              | —                               | (3,000)          |
| Impairment of land pending development            |              | —                               | (6,014)          |
| Gain on disposal of non-trading securities        |              | —                               | 3,265            |
| <b>Profit (loss) from operations</b>              | 2 & 3        | <b>5,663</b>                    | (32,303)         |
| Finance cost                                      |              | <b>(4,118)</b>                  | (5,722)          |
| Share of results of associates                    |              | <b>(6,436)</b>                  | (2,301)          |
| Loss on interest in an associate                  |              | —                               | (75,000)         |
| Gain on disposal/deemed disposal of subsidiaries  |              | —                               | 86,142           |
| Loss before taxation                              |              | <b>(4,891)</b>                  | (29,184)         |
| Taxation  | 4            |                                 |                  |
| Company and subsidiaries                          |              | <b>(486)</b>                    | (586)            |
| Associate   |              | <b>2,021</b>                    | (106)            |
| Loss before minority interests                    |              | <b>(3,356)</b>                  | (29,876)         |
| Minority interests                                |              | <b>8,219</b>                    | 15,100           |
| <b>Profit (loss) attributable to shareholders</b> |              | <b>4,863</b>                    | (14,776)         |
| <b>Earnings (loss) per share</b>                  | 6            | <b>HK0.92 cents</b>             | (HK2.79 cents)   |

# CONDENSED CONSOLIDATED BALANCE SHEET

|  |       | 30 June<br>2003<br>Unaudited<br>HK\$'000 | 31 December<br>2002<br>Audited<br>HK\$'000 |
|--|-------|--|--|
|  | Notes |  |  |
| <b>Non-current assets</b>                              |       |  |  |
| Property, plant and equipment                          |       | 256,991                                  | 283,876                                    |
| Investment properties                                  |       | 167,792                                  | 192,920                                    |
| Land pending development                               |       | 5,000                                    | 5,000                                      |
| Interests in associates                                |       | 328,196                                  | 335,681                                    |
| Goodwill   |       | 4,825                                    | 6,698                                      |
| Non-trading securities                                 |       | 32,852                                   | 36,112                                     |
|  |       | <u>795,656</u>                           | <u>860,287</u>                             |
| <b>Current assets</b>                                  |       |  |  |
| Inventories  |       | 347,963                                  | 214,779                                    |
| Properties held for sale                               |       | 16,500                                   | 16,500                                     |
| Trade and other receivables                            | 7     | 342,190                                  | 334,080                                    |
| Amount due from an intermediate holding company        |       | 48,598                                   | 51,676                                     |
| Due from a fellow subsidiary                           |       | —  | 13   |
| Pledged bank deposits                                  |       | 6,410                                    | 11,088                                     |
| Bank balances and cash                                 |       | 88,484                                   | 129,403                                    |
|  |       | <u>850,145</u>                           | <u>757,539</u>                             |
| <b>Current liabilities</b>                             |       |  |  |
| Trade and other payables                               | 8     | 500,315                                  | 453,956                                    |
| Amount due to fellow subsidiaries                      |       | 118                                      | 128  |
| Bank borrowings - due within one year                  |       | 209,530                                  | 176,846                                    |
| Obligations under finance leases - due within one year |       | 1,124                                    | 248  |
| Taxation payable                                       |       | 58                                       | 1,197                                      |
|  |       | <u>711,145</u>                           | <u>632,375</u>                             |
| <b>Net current assets</b>                              |       | <u>139,000</u>                           | <u>125,164</u>                             |
| <b>Total assets less current liabilities</b>           |       | <u>934,656</u>                           | <u>985,451</u>                             |
| <b>Capital and reserves</b>                            |       |  |  |
| Share capital and premium                              |       | 246,443                                  | 246,443                                    |
| Reserves   |       | 403,463                                  | 419,353                                    |
|  |       | <u>649,906</u>                           | <u>665,796</u>                             |
| <b>Minority interests</b>                              |       | <u>201,970</u>                           | <u>228,278</u>                             |
| <b>Non-current liabilities</b>                         |       |  |  |
| Bank borrowings - due after one year                   |       | 66,205                                   | 72,699                                     |
| Obligations under finance leases - due after one year  |       | 2,101                                    | 692  |
| Advances from associates                               |       | —  | 163  |
| Advances from minority shareholders                    |       | 13,721                                   | 17,070                                     |
| Deferred taxation                                      |       | 753                                      | 753  |
|  |       | <u>82,780</u>                            | <u>91,377</u>                              |
|  |       | <u>934,656</u>                           | <u>985,451</u>                             |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Share capital<br>and premium<br>Unaudited<br>HK\$'000 | Other<br>reserves<br>Unaudited<br>HK\$'000 | Retained<br>earnings<br>Unaudited<br>HK\$'000 | Total<br>Unaudited<br>HK\$'000 |
|---|---|--|---|--------------------------------|
| <b>At 1 January 2003</b>  | <b>246,443</b>  | <b>194,376</b>                             | <b>224,977</b>                                | <b>665,796</b>                 |
| <b>Profit attributable to shareholders</b>                            | —   | —  | 4,863   | 4,863                          |
| <b>Net deficit on revaluation</b>                                     | —   | (20,748)                                   | —   | (20,748)                       |
| <b>Transfer to statutory reserve</b>                                  | —   | 462  | (462)   | —                              |
| <b>Translation adjustments</b>  | —   | (5)  | —   | (5)                            |
| <b>At 30 June 2003</b>  | <b>246,443</b>  | <b>174,085</b>                             | <b>229,378</b>                                | <b>649,906</b>                 |
| At 1 January 2002   | 246,443   | 247,572                                    | 165,015                                       | 659,030                        |
| 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<br>additional interest in subsidiaries | —   | 715  | —   | 715                            |
| Reserve realized upon disposal of subsidiaries                        | —   | (640)                                      | —   | (640)                          |
| Translation adjustments   | —   | 192  | —   | 192                            |
| <b>At 30 June 2002</b>  | <b>246,443</b>  | <b>247,889</b>                             | <b>150,239</b>                                | <b>644,571</b>                 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|  | Six months ended 30 June<br>2003<br>Unaudited<br>HK\$'000 | 2002<br>Unaudited<br>(Restated)<br>HK\$'000 |
|--|---|---|
| Net cash used in operating activities                    | (101,938)   | (108,774)                                   |
| Net cash from investing activities                       | 30,151  | 30,752                                      |
| Net cash from financing activities                       | 29,951  | 114,309                                     |
| (Decrease) increase in cash and cash equivalents         | (41,836)  | 36,287                                      |
| Cash and cash equivalents at beginning of period         | 91,581  | 89,484                                      |
| Cash and cash equivalents at end of period               | 49,745  | 125,771                                     |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b> |   |   |
| Bank balances and cash - general account balances        | 88,484  | 133,235                                     |
| Bank overdrafts  | (38,739)  | (7,464)                                     |
|  | 49,745  | 125,771                                     |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2003

## 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") on The Stock Exchange of Hong Kong Limited 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 2002 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 2002, except that the Group has adopted SSAP 12 (Revised) "Income Taxes" which became effective for accounting periods commencing on or after 1 January 2003 and SSAP 36 "Agriculture" which became mandatory for periods commencing on or after 1 January 2004.

In the previous year, partial provision on all timing differences was made for deferred tax using the income statement perspective. SSAP 12 (Revised) requires the recognition of full provision on all temporary differences using the balance sheet perspective. The adoption of SSAP 12 (Revised) has no material effect on the Group's results other than presentational changes.

The principal effect of implementation of SSAP 36 is in relation to the agricultural activity. SSAP 36 requires the measurement of biological assets at their fair value and introduces certain new disclosure requirements for biological assets and agricultural produce. The adoption of SSAP 36 has had no material effect on the Group's results for prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. Turnover and segmental information

An analysis of the Group's consolidated turnover and contribution to profit (loss) from operations by principal activity and geographical location for the six months ended 30 June 2003 and 2002 is as follows:

|  | <b>Turnover</b>                 |                  | <b>Contribution to profit (loss) from operations</b> |                  |
|--|---------------------------------|------------------|--|------------------|
|  | <b>Six months ended 30 June</b> |                  | <b>Six months ended 30 June</b>                      |                  |
|  | <b>2003</b>                     | <b>2002</b>      | <b>2003</b>  | <b>2002</b>      |
|  | <b>Unaudited</b>                | <b>Unaudited</b> | <b>Unaudited</b>                                     | <b>Unaudited</b> |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>  | <b>HK\$'000</b>                                      | <b>HK\$'000</b>  |
| By principal activity:                       |                                 |                  |  |                  |
| Trading and manufacturing                    | <b>760,026</b>                  | 535,308          | <b>9,100</b>   | (10,581)         |
| Property investment and development          | <b>5,711</b>                    | 4,443            | <b>4,625</b>   | (5,390)          |
| Travel and related services                  | <b>407,589</b>                  | —                | <b>(682)</b>   | —                |
| Information and technology                   | <b>24,785</b>                   | 43,674           | <b>(3,998)</b>                                       | (2,105)          |
| Investment holding and others                | <b>—</b>                        | 242              | <b>(3,382)</b>                                       | (14,227)         |
|  | <b>1,198,111</b>                | 583,667          | <b>5,663</b>   | (32,303)         |
| By geographical location: *                  |                                 |                  |  |                  |
| The People's Republic of China and Hong Kong | <b>527,567</b>                  | 70,987           | <b>17,823</b>  | (22,666)         |
| United States of America                     | <b>443,071</b>                  | 281,254          | <b>(6,988)</b>                                       | (5,718)          |
| Europe                                       | <b>184,327</b>                  | 190,095          | <b>(4,274)</b>                                       | (1,252)          |
| Japan  | <b>11,518</b>                   | 10,170           | <b>(171)</b>   | (159)            |
| Others                                       | <b>31,628</b>                   | 31,161           | <b>(727)</b>   | (2,508)          |
|  | <b>1,198,111</b>                | 583,667          | <b>5,663</b>   | (32,303)         |

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

### **3. Depreciation**

Profit from operations for the period is arrived at after charging depreciation of approximately HK\$21,862,000 (six months ended 30 June 2002: HK\$24,835,000) in respect of the Group's property, plant and equipment.

### **4. Taxation**

Hong Kong profits tax was provided at the rate of 17.5% (six months ended 30 June 2002: 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.

### **5. Interim dividend**

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2003 (six months ended 30 June 2002: Nil).

### **6. Earnings (loss) per share**

The calculation of basic earnings (loss) per share for the period is based on the profit attributable to shareholders of approximately HK\$4,863,000 (six months ended 30 June 2002: loss of HK\$14,776,000) and on approximately 530,335,000 shares (six months ended 30 June 2002: 530,335,000 shares) in issue during the period.

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

### **7. Trade receivables**

Trade receivables of approximately HK\$259,525,000 (31 December 2002: HK\$266,197,000) 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.

### **8. Trade payables**

Trade payables of approximately HK\$367,042,000 (31 December 2002: HK\$330,201,000) are substantially with an aging within 6 months.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the six months ended 30 June 2003, the Group recorded a profit attributable to shareholders of HK\$4.9 million. Carrying on the turnaround of the Group's operating results from the second half of last year, the growth in the Group's major recurring operations was sustained satisfactorily. Turnover for the period under review which was approximately HK\$1.2 billion or 105% higher than that of the corresponding half year of 2002. The increase was mainly attributable to the strong turnover growth for our trading and manufacturing operations, in particular, Wah Shing International Holdings Limited ("Wah Shing") and the full consolidation of the results of the travel business in which the Group acquired the entire equity interest in last December.

Despite the increases in turnover, the Group's gross profit margin decreased from 13.7% to 9.8%. The main reason for the decline was the increase in the direct manufacturing costs and the relatively low gross profit margin of the travel industry. Distribution and operating expenses increased in line with the increase in turnover during the period. Loss from the investment holdings of non-trading securities reduced as their market value dropped to a lesser extent than the last year interim. There was no further significant provision for the property project held under an associate in the current period as compared to a provision of HK\$75 million (loss on interest in an associate) in the corresponding period last year.

#### ***Trading and Manufacturing***

Wah Shing reported a strong growth in turnover to HK\$687 million, a 78% increase compared to the same period last year. The increase in turnover was attributable to the increase in orders from certain key customers whose products were well received by the markets. Wah Shing has also benefited from some of the major US retail chains which placed more orders to reliable toys manufacturers to minimize the risk of disruption in supply chains. Although Wah Shing managed to increase its turnover, its gross profit margin did not improve as expected due to mounting manufacturing costs.

Wah Shing Electronics Company Limited, a subsidiary of Wah Shing, again reported a loss in the first half of the year which is its traditional industry low-season pattern.

Profit from trading and manufacturing of shoe and garment products diminished due to the impact of SARS outbreak in the second quarter of the year. Overseas customers either cancelled or deferred their trips to China and Hong Kong and sought sources from elsewhere.

Nority International Group Limited, a listed associate, announced turnover of HK\$239 million, a 37.6% increase over last year. Despite the increase in turnover, it incurred a loss of HK\$15.3 million which was mainly due to the squeeze in profit margin of its footwear products.

#### ***Property Investment and Development***

This division reported turnover and net profit of HK\$5.7 million and HK\$4.6 million respectively. The main reasons for the increase accounted were improved occupancy of the Group's properties and no further provision for investment properties during the period under review.

The 30%-owned commercial building "The Centrium" in Central had leased out more than 75% of its total gross floor area at the end of June 2003 and started to generate positive income to the Group.

#### ***Travel and Related Services***

The travel business segment attributed turnover of HK\$407.6 million to the Group on consolidation of its results in June this year since Hong Kong Four Seas Tours Limited and its related companies became wholly-owned subsidiaries of the Group in December last year. The local travel and retail industries were particularly hard hit by the SARS outbreak which caused our travel operation to move from a profit to a loss of HK\$0.7 million by the end of the first half of the year. Our rapid responses to operate flexible staff shifts and to offer special discounts helped to minimize costs and operating loss.

## ***Information and Technology***

Turnover for the information technology ("IT") business amounted to HK\$24.8 million, a 43.2% decrease compared to the same period last year. This was mainly due to the divestment of our interests to our joint-venture partners in certain IT companies in the PRC. Some of the companies previously accounted as subsidiaries were treated as associates during the current period. Loss for the period was HK\$4.0 million. In general, the severe competition in the PRC IT market continued to depress our profit margin. The outbreak of the SARS in the major cities of the PRC in the period also adversely impacted our business development for the retail clientele.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2003, the Group had a current ratio of 1.2 and a gearing ratio of 12.7% (long term liabilities of approximately HK\$82.8 million to equity of approximately HK\$649.9 million). The Group's operations continue to be financed by internal resources and bank borrowings.

As at 30 June 2003, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

## **CAPITAL STRUCTURE**

The Group had no debt securities or other capital instruments as at 30 June 2003 and up to the date of this report.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group had no material acquisitions and disposals of subsidiaries or associates for the six months ended 30 June 2003.

## **PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS**

There was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recent published annual report.

## **PROSPECTS**

### ***Trading and Manufacturing***

During the last two months, we have begun to see signs of an economic rebound both locally and globally, after the fading SARS impact and the arising signs of recovery in the international market. Based on the past trend, the industry seasonal factor and barring any unforeseen circumstances, we expect turnover from the trading and manufacturing operations to continue to improve and bring in more profit in the second half of this year. However, to counteract the ever-increasing price pressure from our customers, the Group will put more efforts into reducing costs and enhancing efficiency in the coming months. To these ends, steps have been taken to replace obsolete machinery with advanced models so as to improve output. Wah Shing is currently monitoring progress of its new factory in Yunan, Guangdong which started operation in July 2003. The move of our manufacturing plant to the western part of Guangdong Province should further reduce our average labour cost in the long run.

### ***Property Investment and Development***

With respect to the other business segments, we believe the overall business environment is improving. The signing of the Closer Economic Partnership Agreement ("CEPA") between Hong Kong and the Mainland China has placed Hong Kong in a better position to continue its economic restructuring and recovery. Investors in general are gradually regaining confidence in the local property market. We believe that the Hong Kong property market has reached its bottom and should move upward in the near future. We will continue to renovate some of the lower occupancy properties to boost our already increasing rental income.

## ***Travel and Related Services***

In addition to the CEPA, Hong Kong's economy, in particular the travel industry, is also bolstered by the policy of allowing residents of Beijing, Shanghai, Guangzhou and other major cities in the PRC to apply for individual travel permits to visit Hong Kong. Travelling activities for both business and leisure purposes have picked up substantially to recover the previously lost period. Based on the businesses in the recent months since June, we are satisfied that our travel business can recoup its loss suffered in the second quarter of the year. With our experienced travel professionals and the closely monitored cost controls, we would expect the travel business segment to improve materially by the end of this year, barring interruptions to the travel industry.

## ***Information and Technology***

In the short run the operating environment is still very difficult due to the serious competition in the IT market in the PRC. We will continue to reorganise and consolidate our IT joint ventures to strengthen their competitiveness.

## ***Events after the Balance Sheet Date***

On 30 July 2003, the Group acquired Spring Joy Industrial Limited ("Spring Joy") from South China Holdings Limited, its ultimate holding company. Spring Joy holds 100% interests in Guangdong Huaxing Fruit Development Company Limited which owns various orchards and engages in the cultivation and sale of high quality agricultural produce, mainly litchi and longan fruits in the PRC. Since the businesses are still in their investment stage, we do not expect this new investment will make a significant contribution to the Group in the short run, but in the medium term, the Group should benefit from this business diversification.

## **EMPLOYEES**

As at 30 June 2003, the total number of employees of the Group was approximately 27,800. 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 to the most recently published annual report.

## **INTERESTS OF THE DIRECTORS**

As at 30 June 2003, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

### **1. Long positions in Shares**

#### **(a) The Company**

| Name of Director                     | Capacity                             | Number of Ordinary Shares |                         | Total       |
|--------------------------------------|--------------------------------------|---------------------------|-------------------------|-------------|
|                                      |                                      | Personal Interest         | Corporate Interest      |             |
| Mr Ng Hung Sang,<br>Robert ("Mr Ng") | Interests of controlled corporations | —                         | 396,389,357<br>(Note a) | 396,389,357 |



**(b) Associated Corporations****(i) South China Holdings Limited (“SCH”) (Note b)**

| Name of Director                       | Capacity   | Number of Ordinary Shares |                           | Total         |
|--|--|---------------------------|---------------------------|---------------|
|  |  | Personal Interest         | Corporate Interest        |               |
| Mr Ng                                  | Beneficial owner, interests of controlled corporations | 71,592,200                | 1,272,529,612<br>(Note c) | 1,344,121,812 |
| Ms Cheung Choi Ngor (“Ms Cheung”)      | Persons acting in concert                              | 487,949,760<br>(Note c)   | —                         | 487,949,760   |
| Mr Richard Howard Gorges (“Mr Gorges”) | Persons acting in concert                              | 487,949,760<br>(Note c)   | —                         | 487,949,760   |

**(ii) South China Brokerage Company Limited (“SCB”) (Note d)**

| Name of Director | Capacity   | Number of Ordinary Shares |                           | Total         |
|------------------|--|---------------------------|---------------------------|---------------|
|                  |  | Personal Interest         | Corporate Interest        |               |
| Mr Ng            | Beneficial owner, interests of controlled corporations | 7,378,000                 | 3,626,452,500<br>(Note e) | 3,633,830,500 |
| Mr Gorges        | Beneficial owner                                       | 16,174,000                | —                         | 16,174,000    |

**(iii) Nority International Group Limited (“Nority”) (Note f)**

| Name of Director | Capacity                             | Number of Ordinary Shares |                         | Total       |
|------------------|--------------------------------------|---------------------------|-------------------------|-------------|
|                  |                                      | Personal Interest         | Corporate Interest      |             |
| Mr Ng            | Interests of controlled corporations | —                         | 114,118,540<br>(Note g) | 114,118,540 |

**(iv) Wah Shing International Holdings Limited (“Wah Shing”) (Note h)**

| Name of Director | Capacity                             | Number of Ordinary Shares |                         | Total       |
|------------------|--------------------------------------|---------------------------|-------------------------|-------------|
|                  |                                      | Personal Interest         | Corporate Interest      |             |
| Mr Ng            | Interests of controlled corporations | —                         | 143,623,688<br>(Note i) | 143,623,688 |

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

| Name of Director      | Capacity         | Number of Ordinary Shares |                    | Total   |
|-----------------------|------------------|---------------------------|--------------------|---------|
|                       |                  | Personal Interest         | Corporate Interest |         |
| Mr Ng Yuk Fung, Peter | Beneficial owner | 250,000                   | —                  | 250,000 |

**(vi) The Express News Limited (“Express News”) (Note k)**

| Name of Director | Capacity                            | Number of Ordinary Shares |                    | Total |
|------------------|-------------------------------------|---------------------------|--------------------|-------|
|                  |                                     | Personal Interest         | Corporate Interest |       |
| Mr Ng            | Interests of controlled corporation | —                         | 30<br>(Note l)     | 30    |

**2. Long Positions in underlying shares of equity derivatives of the associated corporations of the Company**

**Associated Corporations**

**(a) SCH**

| Name of Director | Capacity                             | Number of equity derivatives held - Share Options | Number of equity derivatives held - Warrants |
|------------------|--------------------------------------|---|--|
|                  |                                      |   | (Note m)                                     |
| Mr Ng            | Beneficial owner                     | —   | 14,317,440                                   |
|                  | Interests of controlled corporations | —   | 254,505,922<br>(Note n)                      |
| Ms Cheung        | Persons acting in concert            | —   | 97,589,952<br>(Note o)                       |
| Mr Gorges        | Persons acting in concert            | —   | 97,589,952<br>(Note o)                       |

**(b) SCB**

| Name of Director | Capacity         | Number of equity derivatives held - Share Options | Number of equity derivatives held - Warrants |
|------------------|------------------|---|--|
|                  |                  |   |  |
| Mr Ng            | Beneficial owner | 100,000,000                                       | —  |
| Ms Cheung        | Beneficial owner | 100,000,000                                       | —  |
| Mr Gorges        | Beneficial owner | 50,000,000  | —  |

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2003, 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) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

*Notes:*

- (a) The 396,389,357 shares in the Company are held by certain wholly-owned subsidiaries of SCH. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) below and as a Director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said shares of the Company under the SFO.
- (b) SCH owns 74.74% shareholdings in the Company and is the ultimate holding company of the Company.
- (c) The 1,272,529,612 shares referred to above include 371,864,000 shares held by Parkfield Holdings Limited ("Parkfield"), 396,050,252 shares held by Fung Shing Group Limited ("Fung Shing"), 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"), 237,303,360 shares held by Bannock Investment Limited ("Bannock") and 250,646,400 shares held by Eartrade Investments Limited ("Eartrade"). Parkfield, Fung Shing and Ronastar are all wholly-owned by Mr Ng. Bannock is a wholly-owned subsidiary of Eartrade which is owned as to 60% by Mr Ng, 20% by Ms Cheung and 20% by Mr Gorges, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr Ng, Ms Cheung and Mr Gorges are deemed to have an interest in 487,949,760 shares in SCH, which are being held by both Bannock and Eartrade.
- (d) SCB is a 74.59% owned subsidiary of SCH.
- (e) The 3,626,452,500 shares in SCB are held by certain wholly-owned subsidiaries of SCH. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a Director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (f) The Company owns 42.56% shareholdings in Nority and it is considered as the Company's associated corporation.
- (g) The 114,118,540 shares in Nority are held by an indirect wholly-owned subsidiary of the Company. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a Director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said shares of Nority under the SFO.
- (h) Wah Shing, a Singapore listed company, is a 52.77% owned subsidiary of the Company.
- (i) The 143,623,688 shares in Wah Shing are held by a wholly-owned subsidiary of the Company. By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a Director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said shares of Wah Shing under the SFO.
- (j) SCFC is a 95.2% owned subsidiary of SCB.
- (k) Express News is a 70% owned subsidiary of SCH.
- (l) Mr Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Express News.
- (m) The SCH's warrants expired on 23 July 2003.
- (n) By virtue of the interests in the shares of SCH in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a Director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said 254,505,922 warrants of SCH under the SFO.
- (o) By virtue of the interests in the shares of SCH in relation to which Ms Cheung and Mr Gorges have a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as the Directors of SCH, both Ms Cheung and Mr Gorges are taken to have a duty of disclosure in relation to the said 97,589,952 warrants of SCH under the SFO.

## **INFORMATION ON SHARE OPTIONS**

On 18 June 2002, the new share option scheme ("New Scheme") of the Company became effective and the share option scheme of the Company adopted in 1992 was terminated.

No option has been granted or is outstanding under the New Scheme since its adoption.

Save as disclosed herein, at no time during the period ended 30 June 2003, the Directors and chief executives of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were directly, or indirectly, interested in 5% or more of the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Save as disclosed above, as at 30 June 2003, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### 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) SCH 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.

## 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 2003.

## 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 2003.

## 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,  
24 September 2003