



# SOUTH CHINA BROKERAGE COMPANY LIMITED

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

## 2003 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 2003 are as follows:-

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended 30 June</b>	
		<b>2003</b>	2002
		<b>Unaudited</b>	Unaudited
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Turnover</b>	2	<b>50,456</b>	48,906
Other revenue	2	<b>1,353</b>	1,151
Gain (Loss) on disposal of non-trading securities		<b>3,076</b>	(26,623)
Increase (Decrease) in fair value of non-trading securities		<b>611</b>	(555)
Decrease in fair values of trading securities		<b>(3,010)</b>	(1,916)
Provision for doubtful debts		<b>(3,469)</b>	(5,844)
Administrative and operating expenses		<b>(58,289)</b>	(72,355)
<b>Loss from operations</b>	2 & 3	<b>(9,272)</b>	(57,236)
Finance costs		<b>(716)</b>	(731)
<b>Loss before taxation</b>		<b>(9,988)</b>	(57,967)
Taxation	4	<b>16</b>	(80)
<b>Loss after taxation</b>		<b>(9,972)</b>	(58,047)
Minority interest		<b>(48)</b>	(252)
<b>Loss attributable to shareholders</b>		<b>(10,020)</b>	(58,299)
<b>Loss per share</b>			
Basic	5	<b>HK0.21 cents</b>	HK1.20 cents

# CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2003 Unaudited HK\$'000	As at 31 December 2002 Audited HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		9,404	12,892
Investment property		78,000	78,000
Intangible assets		1,160	1,160
Other assets		5,861	6,037
Non-trading securities		2,572	8,455
Long term loans receivable		3,990	2,464
		<u>100,987</u>	<u>109,008</u>
<b>CURRENT ASSETS</b>			
Trading securities		40,700	36,000
Loans and advances		214,413	230,614
Trade debtors	6	32,655	56,412
Tax recoverable		532	1,094
Other debtors, prepayments and deposits		13,973	12,302
Amount due from an intermediate holding company		28,651	25,504
Pledged time deposits		1,500	1,500
Cash held on behalf of customers		196,246	145,630
Cash and bank balances		25,282	22,723
		<u>553,952</u>	<u>531,779</u>
<b>CURRENT LIABILITIES</b>			
Client deposits		196,196	137,245
Trade creditors	7	35,750	67,780
Tax payable		—	117
Other creditors and accruals		9,050	10,865
Finance lease payables		167	171
Interest-bearing bank borrowings		180,469	201,192
		<u>421,632</u>	<u>417,370</u>
<b>NET CURRENT ASSETS</b>		<u>132,320</u>	<u>114,409</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>233,307</u>	<u>223,417</u>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease payables		(614)	(694)
Interest-bearing bank borrowings		(27,812)	(7,863)
		<u>(28,426)</u>	<u>(8,557)</u>
<b>MINORITY INTEREST</b>		<u>(2,264)</u>	<u>(2,240)</u>
<b>NET ASSETS</b>		<u>202,617</u>	<u>212,620</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		121,550	121,550
Reserves		81,067	91,070
		<u>202,617</u>	<u>212,620</u>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

THE GROUP	Share capital <i>HK\$'000</i>	Reserves <i>HK\$'000</i>	Retained profits/ (Accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	121,550	203,385	(112,315)	212,620
Increase in fair value of non-trading securities, net	—	17	—	17
Loss for the period	—	—	(10,020)	(10,020)
<b>At 30 June 2003</b>	<b>121,550</b>	<b>203,402</b>	<b>(122,335)</b>	<b>202,617</b>
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 non-trading securities, net	—	2,588	—	2,588
Transfer to income statement:				
On disposal of non-trading securities	—	27,540	—	27,540
Impairment in fair values of non-trading securities	—	555	—	555
Loss for the period	—	—	(58,299)	(58,299)
Write off premium on repurchase of shares	—	—	(68)	(68)
Transfer from income statement on repurchase of shares	—	19	(19)	—
<b>At 30 June 2002</b>	<b>121,548</b>	<b>151,085</b>	<b>55,046</b>	<b>327,679</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2003 Unaudited <i>HK\$'000</i>	2002 Restated <i>HK\$'000</i>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(3,122)</b>	(3,702)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>6,563</b>	9,237
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(8,527)</b>	(33,514)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,086)</b>	(27,979)
Cash and cash equivalents at beginning of the period	2,273	34,343
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>(2,813)</b>	6,364
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	25,282	25,906
Bank overdrafts	(28,095)	(19,542)
	<b>(2,813)</b>	6,364

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2003

## (1) Principal 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 on The Stock Exchange of Hong Kong Limited and the 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.

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.

## (2) Segment Information

(a) An analysis of the Group’s revenue and contribution to the loss from operations by business segment is as follows:

### For the six months ended 30 June 2003

	Securities broking HK\$'000	Securities trading and investment (note) HK\$'000	Margin financing and money lending HK\$'000	Corporate advisory and underwriting HK\$'000	Property investment and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>							
Sales to external customers	18,896	—	23,271	8,581	1,061	—	51,809
Intersegment sales	—	—	192	—	—	(192)	—
	<u>18,896</u>	<u>—</u>	<u>23,463</u>	<u>8,581</u>	<u>1,061</u>	<u>(192)</u>	<u>51,809</u>
<b>Contribution from segments</b>	<u>(13,172)</u>	<u>(509)</u>	<u>6,169</u>	<u>(303)</u>	<u>(1,457)</u>		<u>(9,272)</u>

Note: Segment revenue of securities trading and investment included net loss on disposal of trading securities and futures contracts of approximately HK\$231,000 and dividend income from listed securities of approximately HK\$231,000. The segment revenue was therefore being net off.

### For the six months ended 30 June 2002

	Securities broking HK\$'000	Securities trading and investment HK\$'000	Margin financing and money lending HK\$'000	Corporate advisory and underwriting HK\$'000	Property investment and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>							
Sales to external customers	25,165	(11,901)	32,177	4,281	335	—	50,057
Intersegment sales	—	—	434	—	—	(434)	—
	<u>25,165</u>	<u>(11,901)</u>	<u>32,611</u>	<u>4,281</u>	<u>335</u>	<u>(434)</u>	<u>50,057</u>
<b>Contribution from segments</b>	<u>(19,169)</u>	<u>(42,732)</u>	<u>8,614</u>	<u>(1,317)</u>	<u>(2,632)</u>		<u>(57,236)</u>

(b) Over 90% of the Group’s revenue and results are derived from Hong Kong.

(3) **Depreciation**

Loss from operations for the period is arrived at after charging depreciation of approximately HK\$3,697,000 (six months ended 30 June 2002: HK\$4,894,000) in respect of the Group's property, plant and equipment.

(4) **Taxation**

No Hong Kong profits tax has been provided as the Group had no estimated assessable profits arising in or derived from Hong Kong during the period (six months ended 30 June 2002: 16%). Taxes on profits assessable elsewhere have been calculated at rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

(5) **Loss per Share**

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$10,020,000 (six months ended 30 June 2002: HK\$58,299,000) and 4,861,990,940 ordinary shares (six months ended 30 June 2002: the weighted average of 4,863,801,133 ordinary shares) in issue during the period.

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

(6) **Trade debtors**

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

All of the Group's trade debtors are aged within 90 days.

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.

All of the Group's trade creditors are aged within 90 days.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The overall business environment remained difficult in the first half of the year with poor investment sentiment and slow market activities. The average stock market daily turnover declined to HK\$6.95 billion from HK\$7.34 billion in the same period in 2002. Consumer spending and unemployment rate were aggravated by the outbreak of atypical pneumonia which further weakened the economic performance in the second quarter of 2003.

The Group, however, recorded a minor increase in turnover of 3.2% to HK\$50.5 million for six months ended 30 June 2003 when compared to the corresponding period last year. Our continuing efforts to consolidate local retail branches and maintain a lean operating structure, including the change of remuneration basis in the London office, saw its results in the period under review. Administrative and operating expenses were significantly reduced by 19.4% to HK\$58.3 million. Net loss attributable to shareholders reduced substantially to HK\$10.0 million, representing an 82.8% improvement over the last year interim.

#### ***Securities broking, trading and investment***

Turnover from securities and commodities broking recorded a fall of 24.9% against the 2002 interim, amid the low stock market daily turnover in the first half of the year whereas the abolition of minimum commission rate effective from 1 April 2003 did not have any impact. The broking operation suffered a loss of HK\$13.2 million though it was a reduction in loss of 31.3% compared to the same period last year. Online securities broking, however, made satisfactory growth of 6.8% in income. Both the trading volume and the number of clients of online securities trading continued to expand. Some local branches were merged together to rationalise a more cost effective conventional broking operation.

During the period, part of the non-trading securities were sold and the Group realised a gain of HK\$3.1 million. Further provisions were made for decrease in fair value of trading securities for HK\$3.0 million. The Group had non-trading securities of HK\$2.6 million and trading securities of HK\$40.7 million in value remaining by the end of the period.

#### ***Margin financing and money lending***

Our loan and advances portfolio for margin financing and personal loan contracted by 6.3% to HK\$218.4 million. The current low interest rate trend has been continuing to exert pressure on the interest income despite our low cost of funding. Contribution from this segment reduced to HK\$6.2 million from HK\$8.6 million in the preceding period owing to some extent to the increased personal loan bankruptcy and termination cases. Additional provision for doubtful debts of HK\$3.5 million was made which we believe would be adequate with our tightened credit control policy and frequent assessment of clients' portfolio and their collateral quality.

#### ***Corporate advisory and underwriting***

Revenue from this segment more than doubled compared to the last interim period. Our corporate finance division successfully secured an increasing number of deals including initial public offerings on the Main and GEM boards and sponsorship, underwriting and corporate advisory services. Many of the continuing sponsorship services have been generating a stable source of income. The sudden outbreak of the deadly disease in March severely depressed investors' sentiment. Many of the already arranged corporate finance activities were delayed and the first half of the year resulted in a minor loss of HK\$0.3 million. Had it not been for the disease, we would have expected much better results from the division for the first half of the year.

#### ***Property investment and others***

Rental income from the commercial property at Lippo Centre rose six times to HK\$1.0 million over the 2002 interim as the rentable area had been substantially leased out. Other corporate expenses were much reduced.

## **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 back-to-back secured by the securities of our margin clients. The facilities for the money lending operations are clean loans. All the facilities are guaranteed by the Company.

As at 30 June 2003, the Group had a current ratio of 1.31 and a gearing ratio of 11.0% (30 June 2002: 1.39 and 6.8% respectively). The gearing ratio is computed on comparing the Group's total long-term bank borrowings of HK\$22.3 million (apart from those for share margin finance business and personal loan business) to the Group's shareholders' fund of HK\$202.6 million. The Directors believe that the Group has sufficient banking facilities and working capital for its operations.

The Group has an internal credit and compliance division to closely monitor its loans and advances receivable and related financial risk. The credit control guidelines have constantly been updated for margin financing and personal loan lending. Frequent reviews are carried out in assessing clients' portfolio and to ensure necessary and adequate provisions have been made at all times.

As at 30 June 2003, the Group had no exposure to fluctuations in foreign 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. As at 1 January 2003, the Company had 972,333,148 outstanding Warrants. No Warrants were exercised during the period under review and all the Warrants expired on 21 June 2003.

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

## **INVESTMENTS**

For the six months ended 30 June 2003, the Group reduced part of its non-trading securities portfolio by HK\$5.9 million and increased its trading securities portfolio by HK\$4.7 million, after accounting for the adjustments of increase and decrease in fair values of HK\$0.6 million and HK\$3.0 million for non-trading and trading securities respectively by the end of the period.

## **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**

As at 30 June 2003, the Group's investment property 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.

## **PROSPECTS**

The local retail market has already experienced a rapid rebound since July 2003 after the recovery from the deadly disease and the influx of tourists from the Mainland. The local stock market reported significant increases in average daily turnover of HK\$9.59 billion and HK\$12.02 billion respectively in July and August 2003. Signs of economic recoveries are appearing across the international arena with persistent rises in major overseas stock market indexes. This is bolstering investor confidence and has induced more active securities trading activities which in turn benefit our securities broking business.

Although the abolition of minimum commission rate did not trigger off a vigorous price war among securities brokers, it helped clear major uncertainties in the market. Competition especially from banks offering securities broking and related services remains very keen. Building on our long establishment in the local broking business, we strive to promote our quality of services and the variety of products to our customers.

Our continuing efforts made on electronic commerce have already seen results from the substantial growth in online trading volume. Both the online "SCtrade System" and the existing conventional trading engine are now in the last phase of upgrading to enhance operations. In anticipation of gaining greater market share and thus improving our income base, more variety of products have been put on our online trading platform to ensure our customers are trading the most at ease with the highest security control.

With the positive attitude of the central government in supporting the Hong Kong economy and through the signing of the Closer Economic Partnership Agreement, we believe more PRC companies will continue to seek listing in Hong Kong. Our corporate finance team has been strengthened with more experienced professionals to take on the considerable business potential originated from the Mainland. The completion of more corporate finance deals will generate significant revenues in the second half of the year.

The recent release of the Positive Consumer Credit Data has much facilitated us in monitoring credit risk of our personal loan business. We expect the quality of our personal loan portfolio will continue to improve with its assistance and the existing close control of our credit and compliance team, thus further reducing the amount of bad debts.

Our investment property at Lippo Centre has now been fully leased out and will bring us higher yield of return and profit.

We trust our strengthened trading engines and experienced professional teams coupled with effective control on costs will provide us solid grounds to benefit from the positive business turnaround.

## **EMPLOYEES**

As at 30 June 2003, the total number of employees of the Group was approximately 163.

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 2003 (2002: Nil).

### 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		
		Personal Interest	Corporate Interest	Total
Mr Ng Hung Sang, Robert (“Mr Ng”)	Beneficial owner, interests of controlled corporations	7,378,000	3,626,452,500 (Note c)	3,633,830,500
Mr Richard Howard Gorges (“Mr Gorges”)	Beneficial owner	16,174,000	—	16,174,000

##### (b) Associated Corporations

###### (i) South China Holdings Limited (“SCH”) (Note b)

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

###### (ii) South China Industries Limited (“SCI”) (Note d)

Name of Director	Capacity	Number of Ordinary Shares		
		Personal Interest	Corporate Interest	Total
Mr Ng	Interests of controlled corporations	—	396,389,357 (Note e)	396,389,357

**(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 (Note g)	114,118,540

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

Name of Director	Capacity	Number of Ordinary Shares		Total
		Personal Interest	Corporate Interest	
Mr Ng	Interests of controlled corporations	—	143,623,688 (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 Shing Shin Cheung, Stewart (“Mr Shing”)	Beneficial owner	500,000	—	500,000

**(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 (Note l)	30

**2. Long Positions in underlying shares of equity derivatives of the Company and its associated corporation**

**(a) The Company**

Name of Director	Capacity	Number of equity derivatives held -	
		Share Options	Warrants
Mr Ng	Beneficial owner	100,000,000	—
Ms Cheung	Beneficial owner	100,000,000	—
Mr Gorges	Beneficial owner	50,000,000	—
Mr Ng Chun Sang	Beneficial owner	20,000,000	—
Mr Shing	Beneficial owner	20,000,000	—

Details of the share options are stated in the section of “Information on Share Options” below.

**(b) Associated Corporation**

**SCH**

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

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 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 Earntrade Investments Limited (“Earntrade”). Parkfield, Fung Shing and Ronastar are all wholly owned by Mr Ng. Bannock is a wholly-owned subsidiary of Earntrade 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 Earntrade.
- (b) The Company is a 74.59% owned subsidiary of SCH.
- (c) The 3,626,452,500 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 (a) above 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.
- (d) SCI is a 74.74% owned subsidiary of SCH.
- (e) The 396,389,357 shares in SCI 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 (a) above and as a Director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said shares of SCI under the SFO.
- (f) SCI owns 42.56% shareholdings in Nority and is considered as SCI’s associated corporation.
- (g) The 114,118,540 shares in Nority are held by an indirect wholly-owned subsidiary of SCI. 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 (a) 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) WSI, a Singapore listed company, is a 52.77% owned subsidiary of SCI.
- (i) The 143,623,688 shares in WSI are held by a wholly-owned subsidiary of SCI. 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 (a) above and as a Director of SCH, Mr Ng is taken to have a duty of disclosure in relation to the said shares of WSI under the SFO.
- (j) SCFC is a 95.2% owned subsidiary of the Company.

- (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) 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 (a) 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 (a) 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 1993 ("Old Scheme") was terminated. Share options granted under the Old Scheme prior to its termination remained in force until they lapsed in accordance with the terms of the Old Scheme. Details of the outstanding share options under the New Scheme and Old Scheme of the Company as at 30 June 2003 are as follows:-

### (a) *New Scheme*

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

### (b) *Old Scheme*

	<b>Date of offer</b>	<b>Exercise period</b>	<b>Number of options as at 1 January 2003</b>	<b>Number of options as at 30 June 2003</b>	<b>Exercise price (HK\$)</b>
Mr Ng	15 August 1993	15 August 1994 to 11 July 2003	50,000,000	50,000,000	0.386
	15 August 1993	15 August 1995 to 11 July 2003	30,000,000	30,000,000	0.351
	15 August 1993	15 August 1996 to 11 July 2003	20,000,000	20,000,000	0.319
Mr Gorges	15 August 1993	15 August 1994 to 11 July 2003	25,000,000	25,000,000	0.386
	15 August 1993	15 August 1995 to 11 July 2003	15,000,000	15,000,000	0.351
	15 August 1993	15 August 1996 to 11 July 2003	10,000,000	10,000,000	0.319
Ms Cheung	15 August 1993	15 August 1994 to 11 July 2003	50,000,000	50,000,000	0.386
	15 August 1993	15 August 1995 to 11 July 2003	30,000,000	30,000,000	0.351
	15 August 1993	15 August 1996 to 11 July 2003	20,000,000	20,000,000	0.319
Mr Ng Chun Sang	15 March 2000	15 March 2001 to 11 July 2003	10,000,000	10,000,000	0.262
	15 March 2000	15 March 2002 to 11 July 2003	6,000,000	6,000,000	0.238
	15 March 2000	15 March 2003 to 11 July 2003	4,000,000	4,000,000	0.238
Mr Shing	10 May 2001	10 May 2002 to 11 July 2003	10,000,000	10,000,000	0.138
	10 May 2001	10 May 2003 to 11 July 2003	6,000,000	6,000,000	0.138
	10 May 2001	— (Note 2)	4,000,000	4,000,000	0.138
			290,000,000	290,000,000	

	<b>Date of offer</b>	<b>Exercise period</b>	<b>Number of options as at 1 January 2003</b>	<b>Number of options as at 30 June 2003</b>	<b>Exercise price (HK\$)</b>
Other employees, in aggregate	15 March 2000	15 March 2001 to 11 July 2003	7,500,000	7,500,000	0.262
	15 March 2000	15 March 2002 to 11 July 2003	4,500,000	4,500,000	0.238
	15 March 2000	15 March 2003 to 11 July 2003	3,000,000	3,000,000	0.238
	7 June 2001	7 June 2002 to 11 July 2003	8,000,000	8,000,000	0.168
	7 June 2001	7 June 2003 to 11 July 2003	4,800,000	4,800,000	0.168
	7 June 2001	— (Note 2)	3,200,000	3,200,000	0.168
	9 July 2001	9 July 2002 to 11 July 2003	10,000,000	10,000,000	0.180
	9 July 2001	9 July 2003 to 11 July 2003	6,000,000	6,000,000	0.180
	9 July 2001	— (Note 2)	4,000,000	4,000,000	0.180
		51,000,000	51,000,000		
		341,000,000	341,000,000		

*Notes:*

1. The vesting period of the share options is from the date of grant till the commencement of the exercise period.
2. The exercise period of these share options falls behind the expiry of the Old Scheme and an approval from the directors is required for the exercise of these share options.
3. The exercise price of share options is subject to a 10% upward price adjustment annually and adjustments in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, at no time during the six months ended 30 June 2003 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## 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:

<b>Name of shareholders</b>	<b>Number of ordinary shares held</b>	<b>Notes</b>	<b>% holding</b>
East Hill Development Limited (“East Hill”)	1,800,000,000		37.02%
Tek Lee Finance and Investment Corporation Limited (“Tek Lee”)	3,626,452,500	(a)	74.59%
South China (BVI) Limited	3,626,452,500	(b)	74.59%
SCH	3,626,452,500	(b)	74.59%

*Notes:*

- (a) Tek Lee is the holding company of East Hill. The 3,626,452,500 shares referred to above include the 1,800,000,000 shares held by East Hill.
- (b) SCH 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 referred to the same parcel of shares in (a) above.

Save as disclosed above, as at 30 June 2003, the Directors or chief executives of the Company were not aware of any other person who had an interest or short position 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 was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

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

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 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  
**South China Brokerage Company Limited**  
**Ng Hung Sang, Robert**  
*Chairman*

Hong Kong Special Administrative Region of  
The People’s Republic of China  
24 September 2003