



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2003 INTERIM REPORT

UNAUDITED INTERIM RESULTS

The Directors of South China Holdings 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

		Six months ended 30 June	
		2003	2002
		Unaudited	Restated
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	1,330,234	716,959
Cost of sales		(1,150,562)	(571,990)
Gross profit		179,672	144,969
Other operating income (including interest income)		9,342	7,688
Distribution costs		(37,022)	(28,080)
Administrative expenses		(167,732)	(193,077)
Gain (Loss) on disposal of non-trading securities		3,076	(23,357)
Impairment of non-trading securities		(2,771)	(11,448)
Unrealised holding loss of trading securities		(3,010)	(1,916)
Deficit on revaluation of investment properties		(25,128)	(1,882)
Provision for loss of properties held for sale		—	(3,000)
Impairment of land pending development		—	(6,014)
Gain on changes in fair value of fruit trees		6,000	7,500
Expenses in relation to agricultural activities		(3,902)	(5,404)
Loss from operations	2 & 3	(41,475)	(114,021)
Finance cost		(5,250)	(7,135)
Share of results of associates		(6,436)	(2,301)
Loss on interest in an associate		—	(75,000)
Net gain on disposal of subsidiaries		—	86,142
Loss before taxation		(53,161)	(112,315)
Taxation	4		
Company and subsidiaries		(495)	(701)
Associate		2,021	(106)
Loss before minority interests		(51,635)	(113,122)
Minority interests		24,209	33,709
Loss attributable to shareholders		(27,426)	(79,413)
Loss per share	6		
Basic		HK1.50 cents	HK4.36 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2003 <i>Unaudited</i> <i>HK\$'000</i>	31 December 2002 <i>Restated</i> <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		292,113	324,228
Fruit trees		78,000	72,000
Investment properties		245,792	270,920
Land pending development		41,362	41,362
Investment in associates		329,091	336,577
Loans and advances receivable		3,990	2,599
Non-trading securities		35,436	44,580
Other non-current assets		45,456	47,505
		<u>1,071,240</u>	<u>1,139,771</u>
CURRENT ASSETS			
Inventories		351,886	221,733
Properties held for sale		16,500	16,500
Trading securities		41,105	38,856
Trade and other receivables	7	431,865	445,636
Loans and advances receivable		213,173	229,238
Amount due from related companies		208	35
Bank balances and cash	8	328,917	322,209
		<u>1,383,654</u>	<u>1,274,207</u>
CURRENT LIABILITIES			
Trade and other payables	9	656,665	643,875
Client deposits		196,196	137,245
Bank and other borrowings - due within one year		415,088	369,977
Obligations under finance leases		2,123	1,037
Amount due to a related company		1,598	1,730
Taxation payable		58	1,314
		<u>1,271,728</u>	<u>1,155,178</u>
Net current assets		<u>111,926</u>	<u>119,029</u>
Total assets less current liabilities		<u>1,183,166</u>	<u>1,258,800</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings - due after one year		(96,067)	(102,812)
Obligations under finance leases		(2,715)	(1,631)
Advances from associates		—	(163)
Advances from minority shareholders		(40,146)	(43,495)
Deferred taxation		(753)	(753)
		<u>(139,681)</u>	<u>(148,854)</u>
MINORITY INTERESTS		<u>(405,813)</u>	<u>(438,661)</u>
		<u>637,672</u>	<u>671,285</u>
CAPITAL AND RESERVES			
Share capital and share premium		298,818	298,818
Other reserves		167,566	173,408
Retained earnings		171,288	199,059
		<u>637,672</u>	<u>671,285</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium <i>Unaudited</i> <i>HK\$'000</i>	Other reserves <i>Unaudited</i> <i>HK\$'000</i>	Retained earnings <i>Unaudited</i> <i>HK\$'000</i>	Total <i>Unaudited</i> <i>HK\$'000</i>
At 1 January 2003	298,818	173,408	162,358	634,584
Effect on adoption of SSAP 36	—	—	36,701	36,701
As restated	298,818	173,408	199,059	671,285
Loss attributable to shareholders	—	—	(27,426)	(27,426)
Net deficit on revaluation	—	(5,913)	—	(5,913)
Transfer to statutory reserves	—	345	(345)	—
Translation adjustments	—	(274)	—	(274)
At 30 June 2003	298,818	167,566	171,288	637,672
At 1 January 2002	298,818	301,030	166,767	766,615
Effect on adoption of SSAP 36	—	—	20,381	20,381
As restated	298,818	301,030	187,148	786,996
Loss attributable to shareholders	—	—	(79,413)	(79,413)
Dividends paid	—	—	(4,454)	(4,454)
Net surplus on revaluation	—	2,896	—	2,896
Transfer to income statement on disposal of non-trading securities	—	20,953	—	20,953
Attributable to acquisition of additional interest in subsidiaries	—	535	—	535
Reserve realised upon disposal of subsidiaries	—	(914)	—	(914)
Translation adjustments	—	(17)	—	(17)
At 30 June 2002	298,818	324,483	103,281	726,582

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2003	2002
	<i>Unaudited</i>	<i>Restated</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(85,730)	(63,752)
Net cash from (used in) investing activities	17,952	(40,780)
Net cash from financing activities	12,058	71,262
Decrease in cash and cash equivalents	(55,720)	(33,270)
Cash and cash equivalents at beginning of period	98,719	135,566
Cash and cash equivalents at end of period	42,999	102,296
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash - general account balances	124,761	173,903
Bank overdrafts	(81,762)	(71,607)
	42,999	102,296

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 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 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 retained profits for the year ended 31 December 2001 and 2002 have been increased by approximately HK\$20,381,000 and HK\$36,701,000 respectively and the effect of the change in policy on the Group's results for the six months ended 30 June 2002 was the reduction of loss by approximately HK\$6,166,000. This adjustment relates to the recognition of the biological assets at their fair value as at the respective balance sheet dates.

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:

	Turnover		Contribution to profit (loss) from operations	
	Six months ended 30 June 2003	2002	Six months ended 30 June 2003	2002
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000
By principal activity:				
Trading and manufacturing	761,160	541,299	6,880	(10,311)
Securities and financing	49,393	48,906	(8,106)	(30,614)
Property investment and development	6,679	8,120	(19,645)	(6,696)
Travel and related services	407,589	—	(682)	—
Media and publications	77,193	74,599	(8,456)	(15,804)
Information and technology	24,785	43,674	(3,998)	(2,105)
Agricultural business	3,341	107	3,724	1,557
Investment holding and others	94	254	(11,192)	(50,048)
	<u>1,330,234</u>	<u>716,959</u>	<u>(41,475)</u>	<u>(114,021)</u>
By geographical location*:				
The People's Republic of China and Hong Kong	659,690	204,279	(29,315)	(104,384)
United States of America	443,071	281,254	(6,988)	(5,718)
Europe	184,327	190,095	(4,274)	(1,252)
Japan	11,518	10,170	(171)	(159)
Others	31,628	31,161	(727)	(2,508)
	<u>1,330,234</u>	<u>716,959</u>	<u>(41,475)</u>	<u>(114,021)</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\$27,334,000 (six months ended 30 June 2002: HK\$31,070,000) 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 profits 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. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of approximately HK\$27,426,000 (six months ended 30 June 2002: HK\$79,413,000) and on approximately 1,823,401,000 shares (six months ended 30 June 2002: 1,823,401,000 shares) in issue during the period.

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

7. Trade receivables

Trade receivables of approximately HK\$316,821,000 (31 December 2002: HK\$349,559,000) 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.

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

8. Bank balances and cash

Approximately HK\$7,910,000 (31 December 2002: HK\$12,588,000) of bank deposits were pledged for the banking facilities granted to the Group.

The bank balances included an amount of approximately HK\$196,246,000 (31 December 2002: HK\$145,630,000) held on behalf of clients of securities and commodities broking business.

9. Trade payables

Trade payables of approximately HK\$489,931,000 (31 December 2002: HK\$482,364,000) are substantially with an aging within 6 months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK\$1.3 billion for the six months ended 30 June 2003, representing an 85.5% increase over the last year interim. 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 last December. The gross profit margin declined nevertheless because of the relatively low margin pattern in the travel industry.

The overall business environment was at its worst in the first half of the year with the outbreak of atypical pneumonia that further weakened the already very fragile local economy. Some of the Group’s businesses, like travel, media and property investment were most adversely affected. The Group’s net loss attributable to shareholders for the period under review was HK\$27.4 million, of which HK\$30.9 million of non-cash provisions were made for devaluation in non-trading and trading securities and investment properties for HK\$2.8 million, HK\$3.0 million and HK\$25.1 million respectively. The Group’s major operation in trading and manufacturing businesses, Wah Shing, continued with the turnaround of its results from the second half of last year, to begin to show better growth and profit. The securities and financing operation did not become profitable but reported substantial reduction in administrative expenses and losses due to its continuing efforts to maintain a lean operating structure.

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.

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.

Securities and Financing

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. During the period, part of the non-trading securities were sold and the Group realised a gain of HK\$3.1 million.

The loan and advances portfolio for margin financing and personal loan contracted by 6.3% to HK\$217.2 million. Keen market competition and the current low interest rate trend have been continuing to exert pressure on the interest income despite our low cost of funding. Contribution from financing business reduced to HK\$6.2 million owing to some extent to the increased personal loan bankruptcy and termination cases.

Revenue from corporate advisory improved 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.

Property Investment and Development

This segment reported turnover and net loss of HK\$6.7 million and HK\$19.6 million respectively. The occupancy of the Group's properties actually increased during the current period. Had it not been the devaluation of properties of HK\$25.1 million, the segment should have reported net profit of HK\$5.7 million.

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 South China Industrial Group ("SCI") 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.

Media and Publications

The media business saw improvements at the operation level over the same period in 2002, with significant savings in costs and operation expenses. Individual titles saw good improvement and were profitable. The improvements made in such a difficult market environment, especially with the after-effects of SARS on advertising revenues, are encouraging for the Group.

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.

Agricultural Business

During the period, the Group first adopted SSAP 36 on accounting for agricultural activity which requires the measurement of biological assets at their fair value. The Group's agricultural business includes the plantation of fruit trees in Zhengcheng and Boluo, Guangdong and fish rearing in Lishui, Nanjing, the PRC. There are now approximately 500,000 lychee and longan trees under cultivation and a lake area of 16,000 mu for fish rearing. The Group recorded HK\$6 million gain on revaluation of fruit trees and net profit of HK\$3.7 million for the period under review.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2003, the Group had a current ratio of 1.09 and a gearing ratio of 21.9% (long-term liabilities of approximately HK\$140.0 million to equity of approximately HK\$637.7 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 foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

On 23 July 2002, the Company issued 364,680,275 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\$0.42 per Warrant. As at 30 June 2003, the Company had 364,680,275 outstanding Warrants. No Warrants were exercised during the period under review and all the Warrants expired on 23 July 2003.

Save as disclosed above, 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.

Securities and Financing

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. The bolstered investor confidence has induced more active securities trading activities which in turn benefit our securities broking business. Our continuing efforts made on electronic commerce have already resulted in 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.

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.

Property Investment and Development

Investors in general are gradually regaining confidence in the local property market as evidenced by the more active sales of both commercial and residential properties in recent months. 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.

Media and Publications

The media and publications businesses are seeing improvement, with strengthened middle and senior management, growth of business on a stronger consolidated platform and stringent cost controls. We shall introduce new business models for several of the titles to meet market needs. We are also looking aggressively into the mainland publications market in order to develop circulation and advertising revenues.

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.

Agricultural Business

On 30 July 2003, the company holding the fruit plantation was transferred from the Group to SCI in order to consolidate all the agricultural businesses of the Group under SCI which already held the business of fish rearing. The agricultural business in the PRC experienced an impressive cumulative annual growth rate of 12.5% from 1992 to 2001. The Group's agricultural businesses are now still at their investment stage and it will be in the interest of SCI to participate in the market potential of the agriculture industry in the PRC and the overseas market in the long run.

Overview

In the past few months, most of the Group's operations have already made good progress amid the rapid economic recovery underway. We trust our 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 28,450. 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.

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		Total
		Personal Interest	Corporate Interest	
Mr Ng Hung Sang, Robert (“Mr Ng”)	Beneficial owner, interests of controlled corporations	71,592,200	1,272,529,612 (Note a)	1,344,121,812
Mr Richard Howard Gorges (“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

(b) *Associated Corporations*

(i) **South China Brokerage Company Limited (“SCB”)** (Note b)

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 (Note c)	3,633,830,500
Mr Gorges	Beneficial owner	16,174,000	—	16,174,000
Mr Yuen Kam Tim, Francis	Beneficial owner	7,175,000	—	7,175,000

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

Name of Director	Capacity	Number of Ordinary Shares		Total
		Personal Interest	Corporate Interest	
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	Number of equity derivatives held - Warrants (Note m)
Mr Ng	Beneficial owner	—	14,317,440
	Interests of controlled corporations	—	254,505,922 (Note n)
Mr Gorges	Persons acting in concert	—	97,589,952 (Note o)
Ms Cheung	Persons acting in concert	—	97,589,952 (Note o)

(b) Associated Corporation

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	—
Mr Shing	Beneficial owner	20,000,000	—

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 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 the Company, which are being held by both Bannock and Earntrade.
- (b) SCB is a 74.59% owned subsidiary of the Company.
- (c) The 3,626,452,500 shares in SCB are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (d) SCI is a 74.74% owned subsidiary of the Company.
- (e) The 396,389,357 shares in SCI are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, 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 the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, 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 the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, 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 SCB.
- (k) Express News is a 70% owned subsidiary of the Company.
- (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 Company’s warrants expired on 23 July 2003.
- (n) By virtue of the interests in the shares of the Company in relation to which Mr Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a Director of the Company, Mr Ng is taken to have a duty of disclosure in relation to the said 254,505,922 warrants of the Company under the SFO.
- (o) By virtue of the interests in the shares of the Company in relation to which Ms Cheung and Mr Gorges have a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as the Directors of the Company, both Ms Cheung and Mr Gorges are taken to have a duty of disclosure in relation to the said 97,589,952 warrants of the Company 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 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 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 shareholders	Number of ordinary shares held	Notes	% holding
Eartrade Investments Limited ("Eartrade")	487,949,760	(a)	26.76%
Bannock Investment Limited ("Bannock")	237,303,360	(a)	13.01%
Mr Ng	1,344,121,812	(b)	73.72%
Parkfield Holdings Limited ("Parkfield")	371,864,000	(b)	20.39%
Fung Shing Group Limited ("Fung Shing")	396,050,252	(b)	21.72%

Notes:

- (a) Eartrade is the holding company of Bannock. The 487,949,760 shares referred to above include the 237,303,360 shares held by Bannock. Mr Ng, Mr Gorges and Ms Cheung have beneficial interests in Eartrade.
- (b) The 1,344,121,812 shares referred to above include 371,864,000 shares held by Parkfield, 396,050,252 shares held by Fung Shing and 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"). Mr Ng has beneficial interests in Parkfield, Fung Shing and Ronastar.

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.

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 are 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 Holdings Limited
Ng Hung Sang, Robert
Chairman

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