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SOUTH CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

2001 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 2001 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2001	2000
		<i>Unaudited</i>	<i>Unaudited</i>
	Notes	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	771,044	1,037,570
Cost of sales		(652,557)	(796,216)
Gross profit		118,487	241,354
Other revenue		10,198	12,827
Distribution and selling expenses		(32,307)	(29,400)
Administrative and operating expenses		(251,126)	(232,483)
Gain on placement of warrants by a listed subsidiary		63,050	--

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Impairment in fair value of long-term investments		(3,053)	--
Increase (Decrease) in fair values of short-term investments		118,547	(20,619)
Profit (Loss) from operations	3	23,796	(28,321)
Finance cost		(11,508)	(10,806)
Gain on disposal of interest in a subsidiary		--	23,279
Gain on disposal of interest in an associate		--	32,261
Gain on disposal of long-term listed investments		--	3,073
Share of results of associates		723	(10,733)
Profit before taxation		13,011	8,753
Taxation	4		
Company and subsidiaries		(36,454)	(3,008)
Associates		(239)	--
(Loss) Profit before minority interests		(23,682)	5,745
Minority interests		37,314	(4,198)

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Profit attributable to shareholders		13,632	1,547
Interim dividend	5	1,823	22,783
Transfer (to) from reserves	6	(987)	7,212
Earnings per share	7		
Basic		HK2.99 cents	HK0.34 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2001	31 December 2000
		<i>Unaudited</i>	<i>Restated</i>
	Notes	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		747,412	773,444
Investment in associates		542,069	500,246
Long-term investments		127,349	105,484
Loans and advances		25,474	9,236
Other non-current assets		8,813	8,963
Total non-current assets		1,451,117	1,397,373

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CURRENT ASSETS

Inventories		294,011	271,410
Properties held for sale		36,254	39,299
Listed investments		247,253	175,549
Loans and advances		304,726	278,991
Trade receivables	8	319,962	331,709
Prepayments and deposits		101,247	91,654
Tax recoverable		3,270	2,523
Bank balances and cash	9	317,106	332,902
Total current assets		1,623,829	1,524,037
CURRENT LIABILITIES			
Interest bearing bank borrowings		545,383	443,090
Trade payables	10	554,874	506,961
Bills payable and other accrued liabilities		242,875	260,782
Taxation payable		33,536	6,320
Total current liabilities		1,376,668	1,217,153
Net current assets		247,161	306,884

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Total assets less current liabilities		1,698,278	1,704,257
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings		(81,007)	(43,840)
Deferred taxation		(1,330)	(1,342)
Total non-current liabilities		(82,337)	(45,182)
MINORITY INTERESTS			
Net assets		983,366	1,014,134
CAPITAL AND RESERVES			
Share capital and share premium		298,406	298,406
Other reserves		435,606	456,236
Retained profits	11	249,354	259,492
		983,366	1,014,134

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Six months ended 30 June

	2001	2000
	<i>Unaudited</i>	<i>Unaudited</i>

Please also refer to the published version of this announcement in the South China Morning Post.

	<i>HK\$'000</i>	<i>HK\$'000</i>
Reserve arising from placement of warrants by a listed subsidiary	--	46,983
Increase in fair values of long-term investments	19,716	81,549
Exchange differences on translation of the financial statements of subsidiaries not denominated in Hong Kong dollars	(85)	3,272
Profit attributable to shareholders	13,632	1,547
	33,263	133,351
Net changes in discount/goodwill on acquisition or disposal of subsidiaries and associates	--	(14,485)
	33,263	118,866

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

**Six months ended
30 June 2001**

Unaudited

HK\$'000

Net cash outflow from operating activities	(135,371)
Net cash outflow from returns on investments and servicing of finance	(34,882)
Taxes paid	(9,997)

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Net cash inflow from investing activities	4,523
Net cash outflow before financing	(175,727)
Net cash inflow from financing	42,725
Decrease in cash and cash equivalents	(133,002)
Cash and cash equivalents at beginning of period	(87,682)
Cash and cash equivalents at end of period	(220,684)

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Bank balances and cash - general account balances	123,717
Bank overdrafts	(66,231)
Short-term loans with original maturities of less than three months	(278,170)
	220,684

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2001

1. Accounting Policies

The unaudited condensed interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and in compliance with the Statement of Standard Accounting Practice No. 25 (SSAP 25) Interim Financial Reporting issued by the Hong Kong Society of Accountants, except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Group has taken advantage of the

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transitional provisions set out in Appendix 16 of the Listing Rules on the Stock Exchange.

These condensed interim financial statements should be read in conjunction with the 2000 annual financial statements.

In the current period, the Group has adopted SSAP 30 'Business combinations' and has elected not to restate goodwill or negative goodwill previously eliminated against or credited to, respectively, reserves. Accordingly, goodwill or negative goodwill arising on acquisition prior to 1 January 2001 is held in reserves and will be charged or credited to the income statement at the time of disposal of the relevant subsidiary, associate, joint venture or business, or at such time as the goodwill is determined to be impaired.

Any goodwill arising on acquisitions after 1 January 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1 January 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

The adoption of new accounting policy in accordance with SSAP 9 (Revised) has resulted in significant impact on the preparation of the interim financial statements. Events after the balance sheet date as defined by this accounting standard are those events that occur between the balance sheet date and the date when the financial statements are approved by the Board. This accounting standard requires that, if dividends are proposed or declared after balance sheet date, an enterprise should not recognise those dividends as a liability at the balance sheet date. After the adoption of this accounting standard, reclassification is required for the Group's accumulated profits and proposed dividend as at 31 December 2000.

Except for the above changes, the accounting policies and methods of computation followed in the preparation of the interim financial statements are consistent with the latest published annual financial statements for the year ended 31 December 2000.

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 2001 and 2000 is as follows:

Turnover	Contribution to profit (loss) from operations
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	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal activity:				
Trading and manufacturing	534,578	766,033	(62,646)	(6,379)
Provision of financial and brokerage services	67,074	130,632	(17,853)	39,499
Securities and commodities trading	15,154	20,238	76,202	(22,518)
Property development and investment	4,215	6,074	1,261	498
Information technology related business	44,659	10,989	(4,078)	(1,114)
Media business	105,330	103,592	(21,704)	(15,782)
Investment holding and others	34	12	52,614	(22,525)
	771,044	1,037,570	23,796	(28,321)
By geographical location*:				

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United States of America	272,981	360,786	(35,753)	(7,835)
Europe	125,956	226,258	(16,702)	(1,274)
The People's Republic of China	109,411	91,391	(9,822)	(3,971)
Hong Kong	189,434	256,991	95,286	(13,533)
Japan	20,102	35,124	(4,314)	423
Others	53,160	67,020	(4,899)	(2,131)
	771,044	1,037,570	23,796	(28,321)

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

3. Depreciation

Profit (Loss) from operations for the period is arrived at after charging depreciation of approximately HK\$36,864,000 (2000: HK\$39,048,000) in respect of the Group's property, plant and equipment.

4. Taxation

Hong Kong profits tax was provided at the rate of 16% (1999: 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.

The Group received additional assessments for taxation relating to previous years. Taking into account the advice received from external professional advisers, additional provision for taxation of approximately HK\$32,641,000 has been made in the current interim results.

Please also refer to the published version of this announcement in the South China Morning Post.

5. Interim dividend

On 16 August 2001, the shares of the Company were sub-divided on the basis of one existing ordinary share to four new ordinary shares (the “New Shares”).

On 24 September 2001, the Board of Directors declared an interim dividend of HK0.1 cents per share for the six months ended 30 June 2001, totalling approximately HK\$1,823,000 (six months ended 30 June 2000: HK1.25 cents as adjusted for share sub-division, totalling approximately HK\$22,783,000). The total amount of the dividend payable of approximately HK\$1,823,000 is based on the total number of New Shares in issue of approximately 1,823,328,000 as at 24 September 2001, being the date of the board meeting. This dividend has not been recognised as a liability at 30 June 2001.

6. Transfer (To) From Reserves

The transfer (to) from reserves during the period comprised:

	Six months ended 30 June	
	2001	2000
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Transfer from special reserve	--	7,648
Transfer to statutory reserve	(987)	(436)
	(987)	7,212

7. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately HK\$13,632,000 (2000: HK\$1,547,000) and on approximately 455,663,000 shares (2000: 455,663,000 shares) in issue during the period.

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

8. Trade Receivables

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

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

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.

9. Bank Balances and Cash

Approximately HK\$22,269,000 (31 December 2000 - HK\$29,000,000) of bank deposits were pledged for the banking facilities granted to the Group.

The bank balances included an amount of approximately HK\$171,120,000 (31 December 2000: HK\$143,918,000) held on behalf of clients of securities and commodities broking business.

10. Trade Payables

Trade payables are substantially with an aging within 6 months.

11. Retained Profits

30 June 2001 31 December 2000

Unaudited *Restated*

HK\$'000 *HK\$'000*

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At beginning of period/year as previously reported	236,709	313,116
Effect of adopting SSAP 9 (revised)	22,783	29,618
At beginning of period/year as restated	259,492	342,734
Final dividend for the previous year paid	(22,783)	(29,618)
Profit (Loss) for the period/year	13,632	(42,513)
Transfer (to) from reserves	(987)	11,672
2000 interim dividend paid	--	(22,783)
At end of period/year	249,354	259,492
2000 final dividend proposed	--	(22,783)
2001 interim dividend	(1,823)	--
	247,531	236,709

12. Post Balance Sheet Events

On 16 August 2001, the shares of the Company were sub-divided on the basis of one existing ordinary share to four new ordinary shares.

On 28 June 2001, South China Information and Technology Limited (“SCIT”), Fourseas.com Limited (“Fourseas”) and Giant Glory Limited (an unrelated third party independent of the Company, its substantial shareholders, chief executives and directors, and their respective associates) jointly announced that a Subscription Agreement, a Disposal Agreement and a Management Agreement had been entered into on 18 June 2001, to give effect to a Financial Restructuring Proposal of Fourseas. Subsequent to the interim reporting date, the Financial Restructuring Proposal of Fourseas was approved on 29 August 2001 and completed on 3 September 2001. Essentially, this involved

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introduction of a new substantial shareholder for Fourseas, SCIT acquired all the existing properties of Fourseas, and Fourseas' travel business was became a joint venture between its new substantial shareholder and SCIT. SCIT will retain as the sole manager of Fourseas' travel business. Details of the transactions are set out in the circular of SCIT dated 2 August 2001.

13. Comparative Figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW

The Group recorded turnover and profit attributable to shareholders of approximately HK\$771.1 million and approximately HK\$13.6 million respectively for the six months ended 30 June 2001. A major part of the Group's operations in the first half of 2001 were affected by the slowdown of the global economy.

Turnover from trading and manufacturing operations fell by over 30%, and toys manufacturing income was down severely as a result of reduced demand from the US market. The financial and brokerage services turnover fell by half as compared to the last corresponding period, as a result of the massive contraction in the local stock market in the first half of the year. The net position however was offset by the substantial increase in the value of some securities in the Group's investment portfolio and an one-off gain from placement of warrants of a listed subsidiary, that gave the Group an overall improved interim profit of 8.8 times the comparable period last year.

Brokerage and Financial Services

The large contraction in daily sales volume in the Hong Kong stock market had a direct impact on the business of the Group's financial arm, South China Brokerage ("SCB") group. Commission income from securities and commodities broking was down significantly and interest income from share margin operations and bank deposits dropped. However, personal loan business was encouraging with satisfactory interest income notwithstanding it is at its early development stage. The rebound in the share prices of certain securities in the investment portfolio and a gain on a private placement of warrants upon expiry raised the aggregate profit from financing activities. SCB recorded approximately HK\$120.6 million net profit in the

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current interim period.

Trading and Manufacturing

South China Industries (“SCI”) group's performance was affected by the disappointing result of its major subsidiary, Wah Shing International Holdings Limited (“Wah Shing Toys”) which was due to the slowdown of the US economy that slackened customer demand which in turn further deferred orders for toys products to the second half of the year 2001. Wah Shing Toys recorded a loss of approximately HK\$84.4 million and a substantial reduction of turnover to approximately HK\$392.0 million for the first six months of the current year. One of the main reasons for Wah Shing Toys' loss was a tax provision of HK\$32.6 million for settlement with the Hong Kong Inland Revenue Department on its transfer pricing policy for prior years.

SCI's other subsidiary, Wah Shing Electronic Company Limited (“Wah Shing Electronic”), increased its turnover despite competitive and adverse market conditions due to its upgraded technical expertise in research and development and the manufacturing process. The associate, Nority International Group Limited (“Nority”), which engages in manufacturing of shoes, had an unexpectedly good interim result this year. It turned around from loss to a profit attributable to shareholders of approximately HK\$24.2 million in the period under review.

Information and Technology

South China Information and Technology (“SCIT”) group increased turnover by three times mainly due to the information and technology (“IT”) related businesses. SCIT's overall net loss of approximately HK\$26.2 million for the period was mainly due to high finance costs and share of loss from an associate.

The IT business development continued to move forward satisfactorily. Three new joint ventures were formed in the first six months. A sales team has been established to promote IT solutions to Hong Kong businesses and it includes Enterprise Resource Planning, Point of Sale and System Integration in which the market has shown great interest due to our competitive pricing, comprehensive turn key solutions and user friendliness. IT professionals have been granted visas to Hong Kong under the “Admission of Mainland Professionals Scheme” which will allow a closer integration of the PRC joint ventures of SCIT to the Hong Kong market.

Property Development and Investment

The occupation permit for “The Centrium”, the Grade A commercial/office building at Arbuthnot Road in which SCIT holds a 30% interest, was obtained in June 2001. Its marketing scheme for leasing is under way.

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Rental income of the investment properties improved slightly in the current period due to a higher occupancy rate.

Travel and Related Services

Fourseas.com Limited (“Fourseas”), an associate of SCIT, reduced its operating loss with a successful reduction in administrative and operating expenses by 30% over the last comparable period.

Media and Publications

The publishing operations have performed well in terms of circulation, with “3 weekly”, according to Hong Kong Audit Bureau of Circulation, recording audited circulation at approximately 92,100 copies per issue, for the months from April to June 2001. “Express Weekly” maintained its circulation, as one of the best selling weeklies in Hong Kong. “Jessica” magazine's circulation grew to approximately 60,000 and 88,000 copies for the months June and July 2001, respectively, on the back of a vigorous promotion campaign. Circulation of other magazines also improved satisfactorily. Advertising income slowed down due to reduced advertising expenditure given the sluggish economy.

Other Investments in the PRC

The Group has planted an additional 140,000 lychee tree seedlings on its wholly owned lychee farms which are amongst the largest in Guangdong. The pharmaceutical joint venture in Shenyang started its expansion plan which involves relocating the production site to the high technology zone where it will increase its production capacity by 2 to 3 fold. Another 55% owned pharmaceutical joint venture in Tianjin launched a new series of medicine products named “Elixirs”, for treating fever and flu, in early 2001. The products were sold to a sole medical distribution agent who supported them by a strong advertising campaign. The new Elixirs are now well known to most pharmacies and users in the Mainland China.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2001, the Group had a current ratio of 1.18 and a gearing ratio (long-term liabilities of approximately HK\$81.0 million to equity of approximately HK\$983.4 million) of 0.08. The Group's operations continue to be financed by internal resources and bank borrowings.

On 3 September 2001, the completion date of the transactions involved in Fourseas' Financial Restructuring Proposal, the Group, through SCIT, received HK\$70 million as repayment of shareholder loan from Fourseas.

Please also refer to the published version of this announcement in the South China Morning Post.

As at 30 June 2001, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

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.

OUTLOOK

Brokerage and Financial Services

SCB will streamline its operations and reduce overheads to face the threat of the abolition of the minimum commission rate in April 2002. The existing trading platform will be revamped and emphasis will be put on the online trading of securities. Opportunities for e-business trading for our existing products and other business possibilities in this area will be investigated further. The personal loan business will continue to expand its branch networks and types of loan.

Trading and Manufacturing

There has been a seasonal surge in customer orders since the commencement of the second half of the current year for both Wah Shing Toys and Wah Shing Electronic. However, increased uncertainties in economic conditions worldwide have also direct impact on the business. To cope with a change in business trend, with shortened order-to-delivery times, the managements of both Wah Shing Toys and Wah Shing Electronics are closely monitoring and smoothing their productions to secure their competitiveness.

Nority, to sustain its growth in business after its enhanced productivity drive and the manufacturing of different varieties of shoes, will persist in the strengthening of cost control, streamlining of its staff and operating procedures.

Information and Technology

With the economic growth and business opportunities in China, the prospects for the IT joint

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ventures are promising. The fruits of the investment are apparent. More interaction between the joint ventures will encourage the sharing of clients, staff, research and development ideas and business strategies. The Hong Kong sales team will seek business from government tenders and ERP contracts in the commercial sector. Given the support of IT professionals from our PRC joint ventures, it is intended to establish SCIT's own brand of IT solutions.

Property Development and Investment

The newly completed development project, “The Centrium”, at Central should benefit from the recent announcement of the Hong Kong SAR Government to pump HK\$18 billion into the tourist industry over the next five years to revive the local economy in the long run. “The Centrium” is ideally located in the area which is proposed to be turning into a new cultural and historical district around Lan Kwai Fong in Central.

Travel and Related Services

Subsequent to the end of the current period, Fourseas duly approved and completed the Financial Restructuring Proposal by 3 September 2001. SCIT has received HK\$70 million from Fourseas as repayment of shareholder loan at the completion of Fourseas financial restructuring. According to the Financial Restructuring Proposal, Fourseas' travel business will become a joint venture between SCIT and its new substantial shareholder, and SCIT will acquire all the existing properties of Fourseas.

Media and Publications

In September 2001, Jessica Publications Limited, which published “Jessica” magazine and “Lisa” magazine, has been separated from the Group and its shares have been distributed to the shareholders of the Company. Editorial content of all the magazines will be enriched to capture more readers and increase market share. Improvement of its website is being made. Effort is being made in the promotion of the magazines to other Chinese speaking areas including China and Southeast Asia. It is expected that advertising and circulation income will improve.

Other Investments in the PRC

By the end of 2001 our plantation of lychee trees will have 500,000 trees in total. Work on marketing plans has been started. A sales team specialising in the marketing and promotion of lychees will be established to cater for the sales of a massive quantity of crops in the coming years. Success in this business will enhance the stable cash income and extend the earnings base of the Group.

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The production lines of the enlarged Shenyang pharmaceutical joint venture are expected to be completed in October 2001. Some of the newly developed medicines have obtained the relevant licences and will be launched in late 2001 and 2002. The joint venture in Tianjin has started the research work on a new generation of a successful medicine for fever and flu, "Elixirs" to extend product life. The next generation is expected to be launched in the market in 2003.

Overview

The recent terrorist attacks in America further intensified economic uncertainties globally; many business sectors may not be immune to its adverse impact. We have positioned ourselves to face the challenges and competition ahead and will explore other business opportunities with prudence.

EMPLOYEES

As at 30 June 2001, the total number of employees of the Group was approximately 24,000. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared to the most recently published annual report.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK0.1 cents per share in respect of the six months ended 30 June 2001 payable to the shareholders whose names appear on the Register of Members on 12 October 2001 (2000: HK1.25 cents per share as adjusted for share sub-division). Dividend warrants will be sent to the shareholders on or before 23 October 2001.

CLOSURE OF REGISTER FOR ENTITLEMENT TO INTERIM DIVIDEND

The Register of Members and Warrantholders of the Company will be closed on 12 October 2001, on that date no share transfers will be registered. To qualify for the above dividend, all transfers accompanied by the relevant share certificates and in the case of Warrantholders, all subscription forms accompanied by the appropriate subscription payments and the relevant

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warrant certificates, must be lodged for registration with the Company's Registrar, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 10 October 2001.

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 2001.

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 2001.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The financial information required to be disclosed under paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board

Ng Hung Sang, Robert

Chairman

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Hong Kong Special Administrative Region of

The People's Republic of China

24 September 2001

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