



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 619)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 are as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		Unaudited	Unaudited
	Notes	HK\$'000	HK\$'000
Turnover	2	111,152	78,528
Other revenue	2	1,860	4,108
Gains on disposal of available-for-sale financial assets		72,413	551
Fair value gains/(losses) on financial assets at fair value through profit or loss		11,538	(6,157)
Reversal of impairment/(impairment) of loans receivable		7,380	(7,333)
Other operating expenses		(99,592)	(60,372)
Profit from operating activities		104,751	9,325
Finance costs	5	(2,360)	(1,962)
Profit before tax	3	102,391	7,363
Tax	6	(126)	(42)
Profit for the period		102,265	7,321
Attributable to:			
Equity holders of the Company		102,254	7,295
Minority interests		11	26
		102,265	7,321
Interim Dividend	7	20,044	–
Earnings per share	8		
Basic		2.04 HK cent	0.15 HK cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2007 Unaudited HK\$'000	As at 31 December 2006 Audited HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		3,598	3,580
Investment property		162,000	162,000
Intangible assets		836	836
Other assets		6,549	6,916
Available-for-sale financial assets	9	–	23,193
Loans receivable	10	7,657	5,979
Deferred tax assets		2,785	2,787
		<hr/>	<hr/>
Total non-current assets		183,425	205,291
CURRENT ASSETS			
Financial assets at fair value through profit or loss	11	126,228	81,162
Loans receivable	10	1,212,869	207,726
Trade receivables	12	234,138	69,811
Other receivables, prepayments and deposits		18,103	14,697
Tax recoverable		6,936	7,149
Pledged time deposits		5,750	5,750
Cash held on behalf of clients		489,853	363,372
Cash and cash equivalents		103,904	96,007
		<hr/>	<hr/>
Total current assets		2,197,781	845,674
CURRENT LIABILITIES			
Client deposits		507,653	361,719
Trade payables	12	228,747	85,669
Tax payable		1,871	1,835
Other payables and accruals		20,740	10,050
Amount due to intermediate holdings company		9,863	–
Interest-bearing bank and other borrowings	13	1,096,147	172,031
		<hr/>	<hr/>
Total current liabilities		1,865,021	631,304
		<hr/>	<hr/>
NET CURRENT ASSETS		332,760	214,370

		As at 30 June 2007	As at 31 December 2006
	<i>Notes</i>	Unaudited HK\$'000	Audited HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		516,185	419,661
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	53,629	46,196
Deferred tax liabilities		5,412	5,412
Total non-current liabilities		59,041	51,608
Net assets		457,144	368,053
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		125,222	125,122
Reserves		310,856	221,900
Proposed dividend		20,044	20,020
		456,122	367,042
Minority interests		1,022	1,011
Total equity		457,144	368,053

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital Unaudited <i>HK\$'000</i>	Other Reserves Unaudited <i>HK\$'000</i>	Retained Profits/ (Accumulated losses) Unaudited <i>HK\$'000</i>	Proposed dividend <i>HK\$'000</i>	Attributable to equity holders of the company Unaudited <i>HK\$'000</i>	Minority Interest Unaudited <i>HK\$'000</i>	Total equity Unaudited <i>HK\$'000</i>
THE GROUP							
At 1 January 2007	125,122	223,817	(1,917)	20,020	367,042	1,011	368,053
Transfer to the income statement on disposal of available-for-sale financial assets	-	773	-	-	773	-	773
Profit for the period	-	-	102,254	-	102,254	11	102,265
Total income and expenses recognized during the period	-	773	102,254	-	103,027	11	103,038
Issue of shares on exercise of share options	100	412	-	-	512	-	512
Equity-settled share option arrangement	-	5,561	-	-	5,561	-	5,561
Dividend paid	-	-	-	(20,020)	(20,020)	-	(20,020)
Proposed 2007 interim dividend	-	-	(20,044)	20,044	-	-	-
At 30 June 2007	125,222	230,563	80,293	20,044	456,122	1,022	457,144
At 1 January 2006	121,550	228,563	(28,702)	-	321,411	1,380	322,791
Change in fair value of available-for-sale financial assets	-	547	-	-	547	-	547
Profit for the period	-	-	7,295	-	7,295	26	7,321
Total income and expenses recognized during the period	-	547	7,295	-	7,842	26	7,868
Issue of shares on exercise of warrants	3,572	10,889	-	-	14,461	-	14,461
Realisation of placement of warrants to retained earning	-	(25,220)	25,220	-	-	-	-
Equity-settled share option arrangement	-	843	-	-	843	-	843
At 30 June 2006	125,122	215,622	3,813	-	344,557	1,406	345,963

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	<i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(999,918)	(20,602)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	95,775	(4,036)
NET CASH INFLOW FROM FINANCING ACTIVITIES	908,583	5,600
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,440	(19,038)
Cash and cash equivalents at beginning of the period	91,672	71,447
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	96,112	52,409
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	96,112	52,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

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 of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the compliance with Hong Kong Accounting Standards No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements should be read in conjunction with the 2006 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 2006.

The following new and revised HKFRSs are adopted for the first time for the current period's financial statements:

HKAS 1	Amendment Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these HKFRSs has had no material impact on the accounting policies of the Group and the preparation of these interim financial statements.

2. Turnover and Other Revenue

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Turnover		
Commission and brokerage income	65,586	42,929
Profit on trading of securities, bullion and futures contracts, net	10,340	4,630
Dividend income from listed investments	131	953
Interest income from loans receivable	19,571	16,992
Interest income from bank and financial institutions	9,030	7,483
Rendering of services	3,484	5,160
Gross rental income	3,010	381
	<u>111,152</u>	<u>78,528</u>
Other revenue		
Handling fee income	1,071	963
Others	789	3,145
	<u>1,860</u>	<u>4,108</u>

3. Profit before tax

Six months ended 30 June
2007 2006
Unaudited Unaudited
HK\$'000 HK\$'000

The Group's profit is arrived at after charging:

Cost of services provided	29,863	20,766
Depreciation	1,085	1,077
	9,705	7,941

4. Turnover and segmental information

An analysis of the Group's consolidated turnover and contribution to profit/(loss) from operating activities by business segments for the six months ended 30 June 2007 and 2006 is as follows:

	2007	2006	2007	2006	2007	2006	2007	2006
			Profit/ (loss) from operating activities	Profit/ (loss) from operating activities	Assets	Assets	Liabilities	Liabilities
	Revenue	Revenue	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Securities broking	66,161	46,202	18,415	9,762	761,631	369,078	657,382	308,303
Securities trading and investment	10,472	5,583	65,923	(2,266)	126,585	89,320	6,205	101
Margin financing and money lending	29,379	25,324	21,885	4,777	1,310,106	224,201	1,140,717	128,430
Corporate advisory and underwriting	4,265	5,693	(1,280)	(690)	2,125	11,949	399	126
Property investment	3,547	591	2,475	(265)	162,862	155,950	101,263	64,115
Corporate and others	1	12	(2,667)	(1,993)	8,177	3,438	10,815	10,861
Eliminations	(813)	(769)	-	-	-	-	-	-
Unallocated	-	-	-	-	9,720	9,938	7,281	5,975
Consolidated	113,012	82,636	104,751	9,325	2,381,206	863,874	1,924,062	517,911

Over 90% of the Group's revenue and contribution to profit/(loss) from operating activities were derived from operations in Hong Kong.

5. Finance Costs

Finance costs represent interest on a mortgage loan and finance lease secured by the Group's investment property and property, plant and equipment.

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

7. Interim Dividend

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed Interim dividend – HK0.4 cent (2006: nil) per ordinary share	20,044	–

8. Earnings per share

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the company of HK\$102,254,000 (2006: HK\$7,295,000) and the weighted average number of 5,005,613,162 (2006: 4,997,876,967) ordinary shares in issue during the period.

Diluted earnings per share has not been presented as the outstanding share options had no dilutive effect on the basic earnings per share for the period.

9. Available-for-sale financial assets

Available-for-sale financial assets represented listed equity securities in Hong Kong at market value.

10. Loans receivable

The maturity profile of loans receivable at the balance sheet date is analysed into the remaining periods to their contractual maturity dates as follows:

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable:		
On demand	1,186,918	142,134
Within 3 months	8,965	8,810
3 months to 1 year	16,986	15,696
1 year to 5 years	7,657	7,263
	1,220,526	173,903
Portion classified as current assets	(1,212,869)	(166,640)
Portion classified as non-current assets	7,657	7,263

Included in loans receivable of which HK\$828,337,000 are loan receivable on Initial Public Offer financing activities.

11. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented listed equity securities in Hong Kong at market value.

12. Trade receivables and payables

All of the Group's trade receivables and payables are aged within 90 days.

13. Interest-bearing bank and other borrowings:

All of the Group's trade receivables and payables are aged within 90 days.

Included in interest-bearing bank and other borrowings of which HK\$828,710,000 are interest-bearing bank and other borrowings on Initial Public Offer financing activities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group achieved significant progress for the first six months ended 30 June 2007 with the profit attributable to shareholders increasing to HK\$102.3 million from HK\$7.3 million for the same period last year and Group's turnover increased by 42% to HK\$111.2 million from HK\$78.5 million as compared to the same period last year.

The improved operating results for the six months ended 30 June 2007 were attributable to the improved operating performance of the securities broking business, trading and investment and margin financing and money lending business.

Securities broking, trading and investment

Our commission income from securities and commodities broking increased by 43% to HK\$66.2 million for the first half of 2007 as compared with the same period of last year. The result of securities broking for the six months ended 30 June 2007 was a profit of HK\$18.4 million which increased by 89% as compared with a profit of HK\$9.8 million for the same period last year.

The result of securities trading and investment for the six months ended 30 June 2007 was a gain of HK\$65.9 million as compared with a loss of HK\$2.3 million for the same period last year. The Group had financial assets at fair value through profit or loss of HK\$126.2 million in value as at the end of the period.

Margin financing and money lending

The overall income from the margin financing activities and money lending business increased by 16% to HK\$29.4 million for the six months ended 30 June 2007. The result for this segment was a profit of HK\$21.9 million for the first half of 2007 increased by 358% as compared with a profit of HK\$4.8 million for the same period last year.

Corporate advisory and underwriting

Revenue from this segment decreased by 25% to HK\$4.3 million as compared with the same period of last year due to some changes in the team.

Property investment and others

Rental income from the investment property at Lippo Centre increased to HK\$3.5 million as compared with the same period of last year.

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 secured by the securities of margin clients and the Group. The facilities for the money lending operations are clean loans. All the facilities are guaranteed by the Company.

As at 30 June 2007, the Group's long term bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$54 million (31 December 2006: HK\$46 million), which, when related to the Group's equity of HK\$457 million (31 December 2006: HK\$368 million), represent a gearing ratio of approximately 11.8% (31 December 2006: 12.5%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2007, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group had no other debt securities as at 30 June 2007 and up to the date of this report.

INVESTMENTS

For the six months ended 30 June 2007, available-for-sale financial assets are sold and the gain on disposal of such by HK\$72.4 million.

Financial assets at fair value through profit or loss increased by HK\$45.1 million after accounting for the increase in fair value of the financial assets at fair value through profit or loss by HK\$11.5 million and net addition of financial assets at fair value through profit or loss by HK\$23.3 million and gain on disposal of financial assets at fair value through profit or loss by HK\$10.3 million.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries and associates for the six months ended 30 June 2007.

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.

MANAGEMENT OF RISKS

In the opinion of directors, the market risk arising from the financial business is not considered as material.

EMPLOYEES

As at 30 June 2007, the total number of employees of the Group was approximately 170 (30 June 2006: approximately 180). Employees' cost (including directors' emoluments) amounted to approximately HK\$29.06 million for the six months ended 30 June 2007 (six months ended 30 June 2006: approximately HK\$19.98 million).

The Group considers its employees as its most valuable asset. 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. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. The Company adopted a share option scheme on 31 May 2002 which became effective on 28 June 2002 (the "Share Option Scheme").

PROSPECTS

For the second half of 2007, the prospects of the Group will continue to be bright. We will also strive to explore our business opportunities in the PRC market.

OTHER INFORMATION

INTERIM DIVIDEND

The Board declared an interim dividend of 0.4 HK cent (2006: Nil) per share, totalling approximately HK\$20,043,564 (2006: Nil) for the six months ended 30 June 2007 to the shareholders whose names appear on the register of members of the Company on 20 September 2007. The interim dividend will be paid on or about 25 September 2007.

CLOSURE OF REGISTER FOR ENTITLEMENT TO INTERIM DIVIDEND

The register of members of the Company will be closed from 19 September 2007 to 20 September 2007, both days inclusive, during which period no share transfers will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates of the Company, must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of Room 1803 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 18 September 2007.

PROPOSED BONUS ISSUE OF WARRANTS

The Board proposes an issue of bonus warrants at an initial subscription price of HK\$0.168 per share to the shareholders of the Company on the basis of one bonus warrant for every five shares held by the shareholders of the Company. Please refer to the announcement of the Company dated 4 September 2007 in respect of the terms of the issue of the bonus warrants.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) were as follows:

(a) The Company

(i) Long positions in ordinary shares of HK\$0.025 each

Name of Director	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding
Ng Hung Sang (“Mr. Ng”)	Interest of controlled corporations	3,660,502,500 <i>(Note a)</i>	73.08%
Richard Howard Gorges (“Mr. Gorges”)	Beneficial owner	12,174,000	0.24%
Tang Kam Sun [#] (“Dr. Tang”)	Beneficial owner	300,000	0.01%

[#] Resigned as a director with effect from 30 August 2007

(ii) Long positions in underlying shares

Name of Director	Capacity and nature of interest	Number of underlying shares*	Approximate percentage of shareholding
Cheung Choi Ngor (“Ms. Cheung”)	Beneficial owner	30,000,000	0.60%
Mr. Gorges	Beneficial owner	30,000,000	0.60%
Ng Yuk Yeung, Paul (“Mr. Paul Ng”)	Beneficial owner	50,000,000	1.00%
Ng Chun Sang (“Mr. C S Ng”)	Beneficial owner	8,000,000	0.16%
Dr. Tang	Beneficial owner	50,000,000	1.00%

* Represents underlying shares subject to share options granted to the directors under the Share Option Scheme as follows:-

Name of Director	Date of grant (DD/MM/YYYY)	Subscription price per share	Number of share options granted	Exercise period (DD/MM/YYYY)
Ms. Cheung	16/03/2006	HK\$0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
Mr. Gorges	16/03/2006	HK\$0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
Mr. Paul Ng	16/03/2006	HK\$0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
	26/04/2006	HK\$0.128	6,666,667	26/04/2007 – 25/04/2009
			6,666,667	26/04/2008 – 25/04/2010
			6,666,666	26/04/2009 – 25/04/2011
Mr. C S Ng	12/04/2007	HK\$0.161	1,666,667	12/04/2008 – 11/04/2010
			1,666,667	12/04/2009 – 11/04/2011
			1,666,666	12/04/2010 – 11/04/2012
	17/04/2007	HK\$0.161	1,000,000	17/04/2008 – 16/04/2010
			1,000,000	17/04/2009 – 16/04/2011
			1,000,000	17/04/2010 – 16/04/2012
Dr. Tang	16/02/2007	HK\$0.128	16,666,667	16/02/2008 – 15/02/2010
			16,666,667	16/02/2009 – 15/02/2011
			16,666,666	16/02/2010 – 15/02/2012

(b) Long positions in ordinary shares of associated corporations

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

Name of Director	Capacity and nature of interest	Number of shares	Total number of shares	Approximate percentage of shareholding
Mr. Ng	Beneficial owner	71,652,200	1,344,181,812	73.72%
	Interest of controlled corporations	1,272,529,612 (Note c)		
Mr. Gorges	Interest of controlled corporations	487,949,760 (Note c)	487,949,760	26.76%
Ms. Cheung	Interest of controlled corporations	487,949,760 (Note c)	487,949,760	26.76%

(ii) *South China (China) Limited (formerly known as South China Industries Limited) (“SCC”) (Note d)*

Name of Director	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	396,641,357 (Note e)	74.79%

(iii) *South China Financial Credits Limited (“SCFC”) (Note f)*

Name of Director	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Paul Ng	Beneficial owner	250,000	0.59%

(iv) *Prime Prospects Limited (formerly known as The Express News Limited) (“Prime Prospects”) (Note g)*

Name of Director	Capacity and nature of interest	Number of shares	Approximate Percentage of shareholding
Mr. Ng	Interest of controlled corporations	30 (Note h)	30%

Notes:

- (a) The 3,660,502,500 shares in the Company were held by certain wholly-owned subsidiaries of SCH. By virtue of the interests in the shares of SCH in relation to which Mr. Ng had a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) below and as a director of SCH, Mr. Ng was taken to have a duty of disclosure in relation to the said shares of the Company under the SFO.
- (b) The Company was a 73.08% owned subsidiary of SCH.
- (c) Mr. Ng, Ms. Cheung and Mr. Gorges, through companies wholly owned and controlled by them, had interests in 487,949,760 shares in SCH. Mr. Ng personally owned 71,652,200 shares and through companies wholly owned and controlled by him, beneficially owned 784,579,852 shares in SCH.
- (d) SCC was a 74.79% owned subsidiary of SCH.
- (e) The 396,641,357 shares in SCC were held by certain wholly-owned subsidiaries of SCH. Subsequent to 30 June 2007, each of the issued and unissued shares of HK\$0.10 each in the capital of SCC were subdivided into 5 shares of HK\$0.02 each with effect from 22 August 2007. By virtue of the interests in the shares of SCH in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a director of SCH, Mr. Ng was taken to have a duty of disclosure in relation to the said shares of SCC under the SFO.
- (f) SCFC was a 98.36% owned subsidiary of the Company.
- (g) Prime Prospects was a 70% owned subsidiary of SCH.
- (h) Mr. Ng and his family, through a company wholly-owned and controlled by them, had interests in 30 shares in Prime Prospects.

Save as disclosed above, as at 30 June 2007, none of the directors or chief executives of the Company had, 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) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, other than the interests and short positions of the directors and chief executives of the Company as disclosed above, the following persons had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

Long positions in ordinary shares of HK\$0.025 each of the Company

Name of shareholder	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding
SCH	Interest of controlled corporations	3,660,502,500	73.08%

Save as disclosed above, as at 30 June 2006, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

INFORMATION ON SHARE OPTION SCHEME

The directors and employees of the Company and its subsidiaries are entitled to participate in the Share Option Scheme.

Particulars and movements of the outstanding share options granted under the Share Option Scheme during the six months ended 30 June 2007 were as follows:–

Name or category of participant	Number of share options					Outstanding as at 30 June 2007	Date of grant of share options (DD/MM/YYYY) <i>(Note a)</i>	Exercise period of share options (DD/MM/YYYY)	Subscription price per share <i>(Note b)</i> HK\$	Price of the Company's shares	
	Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					Immediately preceding the grant of options <i>(Note c)</i> HK\$ per share	Immediately preceding the exercise of options <i>(Note d)</i> HK\$ per share
Directors											
Mr. Chan Hing Wah	7,000,000	–	–	(7,000,000)	–	0	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
<i>(Note e)</i>	7,000,000	–	–	(7,000,000)	–	0	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	7,000,000	–	–	(7,000,000)	–	0	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
Ms. Cheung	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
Mr. Gorges	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
Mr. Paul Ng	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
	6,666,667	–	–	–	–	6,666,667	26/04/2006	26/04/2007 – 25/04/2009	0.128	0.110	N/A
	6,666,667	–	–	–	–	6,666,667	26/04/2006	26/04/2008 – 25/04/2010	0.128	0.110	N/A
	6,666,666	–	–	–	–	6,666,666	26/04/2006	26/04/2009 – 25/04/2011	0.128	0.110	N/A
Mr. S. C. Ng	–	1,666,667	–	–	–	1,666,667	12/04/2007	12/04/2008 – 11/04/2010	0.161	0.156	N/A
	–	1,666,667	–	–	–	1,666,667	12/04/2007	12/04/2009 – 11/04/2011	0.161	0.156	N/A
	–	1,666,666	–	–	–	1,666,666	12/04/2007	12/04/2010 – 11/04/2012	0.161	0.156	N/A
	–	1,000,000	–	–	–	1,000,000	17/04/2007	17/04/2008 – 16/04/2010	0.161	0.148	N/A
	–	1,000,000	–	–	–	1,000,000	17/04/2007	17/04/2009 – 16/04/2011	0.161	0.148	N/A
	–	1,000,000	–	–	–	1,000,000	17/04/2007	17/04/2010 – 16/04/2012	0.161	0.148	N/A
Dr. Tang	–	16,666,667	–	–	–	16,666,667	16/02/2007	16/02/2008 – 15/02/2010	0.128	0.090	N/A
	–	16,666,667	–	–	–	16,666,667	16/02/2007	16/02/2009 – 15/02/2011	0.128	0.090	N/A
	–	16,666,666	–	–	–	16,666,666	16/02/2007	16/02/2010 – 15/02/2012	0.128	0.090	N/A
Sub-total	131,000,000	58,000,000	–	(21,000,000)	–	168,000,000					

Name or category of participant	Number of share options						Price of the Company's shares				
	Outstanding as at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2007	Date of grant of share options (DD/MM/YYYY)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share	Immediately preceding the grant date of share options	Immediately preceding the exercise date of share options
							(Note a)		(Note b) HK\$	(Note c) HK\$ per share	(Note d) HK\$ per share
Employees											
In aggregate	29,000,000	-	(4,000,000)	(2,000,000)	-	23,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	0.182
	29,000,000	-	-	(2,000,000)	-	27,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	29,000,000	-	-	(2,000,000)	-	27,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
	6,666,667	-	-	-	-	6,666,667	26/04/2006	26/04/2007 – 25/04/2009	0.128	0.110	N/A
	6,666,667	-	-	-	-	6,666,667	26/04/2006	26/04/2008 – 25/04/2010	0.128	0.110	N/A
	6,666,666	-	-	-	-	6,666,666	26/04/2006	26/04/2009 – 25/04/2011	0.128	0.110	N/A
	-	30,499,994	-	-	-	30,499,994	12/04/2007	12/04/2008 – 11/04/2010	0.161	0.156	N/A
	-	30,499,994	-	-	-	30,499,994	12/04/2007	12/04/2009 – 11/04/2011	0.161	0.156	N/A
	-	30,500,012	-	-	-	30,500,012	12/04/2007	12/04/2010 – 11/04/2012	0.161	0.156	N/A
	-	1,666,667	-	-	-	1,666,667	23/04/2007	23/04/2008 – 22/04/2010	0.161	0.136	N/A
	-	1,666,667	-	-	-	1,666,667	23/04/2007	23/04/2009 – 22/04/2011	0.161	0.136	N/A
	-	1,666,666	-	-	-	1,666,666	23/04/2007	23/04/2010 – 22/04/2012	0.161	0.136	N/A
Sub-total	107,000,000	96,500,000	(4,000,000)	(6,000,000)	-	193,500,000					
Total	238,000,000	154,500,000	(4,000,000)	(27,000,000)	-	361,500,000					

Notes:

- (a) All share options granted are subject to a vesting period and becoming exercisable in the following manner:

From the date of grant of share options	Exercisable percentage
	%
Within 12 months	Nil
13th month – 36th month	33 1/3
25th month – 48th month	33 1/3
37th month – 60th month	33 1/3

The unexercised share options of each exercise period shall lapse at the end of the respective exercise period.

- (b) The subscription price of the shares is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.
- (c) The price of the Company's shares disclosed as immediately preceding the grant date of the share options is the closing price of the shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options.
- (d) The price of the Company's shares disclosed immediately preceding the exercise date of the share options is the weighted average of the closing prices of the shares on the Stock Exchange immediately before the date on which the options were exercised.
- (e) 21,000,000 share options granted to Mr. Chan Hing Wah lapsed on 19 January 2007 after his resignation as a director.

The fair value of the share options granted during the period was HK\$17,418,773 of which the Group recognized a share option expense of HK\$5,561,038 during the period ended 30 June 2007.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options was granted. The following table lists the inputs to the model used for the six months ended 30 June 2007:

Date of grant	16 February 2007	12 April 2007	17 April 2007	23 April 2007
Dividend yield (%)	0	0	0	0
Average expected volatility (%)	75.65	78.04	78.28	78.23
Average historical volatility (%)	75.65	78.04	78.28	78.23
Average risk-free interest rate (%)	4.144	4.036	4.081	3.981
Expected life of option (<i>year</i>)	3-5	3-5	3-5	3-5
Closing share price (<i>HK\$</i>)	0.092	0.161	0.138	0.138

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the “CG Code”) of the Listing Rules throughout the six months ended 30 June 2007 with exception to code provision A.4.1 that non-executive directors of the Company were not appointed for a specific term and to code provision A.4.2 that the Articles of Association of the Company did not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment.

In order to comply with the code provision A.4.2 of the CG Code, a special resolution was passed at the annual general meeting of the Company on 22 May 2007 to amend the Articles of Association of the Company, inter alia, to the effect that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all newly appointed directors should be subject to re-election by shareholders at the first general meeting of the Company after their appointment.

As all non-executive directors of the Company are subject to the retirement and rotation requirements in accordance with the Company’s Articles of Association, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than code provision A.4.1 of the CG Code of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding directors’ securities transactions. All directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The principal duties of the audit committee include the review of the Group's audit plan and process with the auditors, the independence of auditors, the Group's financial statements and system of internal control. The audit committee comprises three independent non-executive directors, namely Mrs. Tse Wong Siu Yin, Elizabeth (chairman of the audit committee), Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung, Eric.

The Group's unaudited results for the six months ended 30 June 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

On behalf of the Board
Ng Hung Sang
Chairman

Hong Kong, 4 September 2007

As at the date of this report, the Board of the Company comprises (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Ng Chun Sang and Mr. Ng Yuk Yeung, Paul as executive directors; and (2) Mrs. Tse Wong Siu Yin, Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung, Eric as independent non-executive directors.