



SOUTH CHINA (CHINA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2007

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of South China (China) Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		Unaudited	Unaudited
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	1,956,913	1,582,582
Cost of sales		(1,811,373)	(1,512,192)
Gross profit		145,540	70,390
Other income and gain		11,811	12,212
Selling and distribution costs		(12,919)	(17,743)
Administrative expenses		(151,381)	(119,636)
Fair value gain on financial assets at fair value through profit or loss		1,859	—
Gain on disposal of financial assets at fair value through profit or loss		7,329	—
Gain on disposal of available-for-sale financial assets		9,912	1,067
Gain on disposal of investment properties		—	5,100
Excess over the cost of business combinations		3,779	228,206
Gain on disposal of subsidiaries	3	355,615	—
Profit from operations	2 & 4	371,545	179,596
Finance costs		(15,508)	(9,910)
Share of profits and losses of associates		170,292	(2,769)
Profit before tax		526,329	166,917
Tax	5	(6,591)	(2,909)
Profit for the period		519,738	164,008
Attributable to:			
Equity holders of the Company		522,451	181,502
Minority interests		(2,713)	(17,494)
		519,738	164,008
Interim dividend	6	26,517	—
Basic earnings per share attributable to ordinary equity holders of the Company	7	HK19.7 cents	HK6.8 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2007 Unaudited HK\$'000	31 December 2006 Audited HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		265,962	305,676
Investment properties		793,102	759,146
Prepaid land lease payments		23,990	30,955
Construction in progress	8	24,335	208,737
Convertible note	8	408,000	–
Interests in associates	9	537,927	310,762
Goodwill		7,872	21,445
Biological assets		65,000	65,000
Deferred tax assets		3,825	6,989
Available-for-sale financial assets		3,625	19,694
Total non-current assets		2,133,638	1,728,404
CURRENT ASSETS			
Inventories		376,974	353,429
Trade receivables	10	396,249	269,299
Prepayments, deposits and other receivables		141,842	118,692
Financial assets at fair value through profit or loss		21,000	49,548
Due from fellow subsidiaries		6,389	3,700
Due from an intermediate holding company		5,001	714
Due from a related company		424	361
Due from a minority shareholder of a subsidiary		–	12,963
Tax recoverable		1,344	5,812
Pledged bank deposits		12,580	11,880
Cash and bank balances		272,825	254,983
		1,234,628	1,081,381
Non-current assets classified as held for sale		96,924	53,300
Total current assets		1,331,552	1,134,681
CURRENT LIABILITIES			
Trade and bills payables	11	503,396	510,272
Other payables and accruals		289,157	256,256
Interest-bearing bank and other borrowings		419,033	303,595
Tax payable		27,661	33,631
Dividend payable		29,699	–
Total current liabilities		1,268,946	1,103,754
NET CURRENT ASSETS		62,606	30,927
TOTAL ASSETS LESS CURRENT LIABILITIES		2,196,244	1,759,331
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		39,978	133,834
Advances from minority shareholders of subsidiaries		27,035	28,143
Provision for severance payment		32,313	32,601
Deferred tax liabilities		132,411	129,515
Other financial liabilities	8	72,992	–
Total non-current liabilities		304,729	324,093
Net assets		1,891,515	1,435,238
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		53,033	53,033
Reserves		1,739,426	1,233,706
Proposed interim dividend	6	26,517	–
Proposed final dividend		–	29,699
		1,818,976	1,316,438
Minority interests		72,539	118,800
Total equity		1,891,515	1,435,238

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital and share premium Unaudited HK\$'000	Other reserves Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Dividends Unaudited HK\$'000	Attributable to equity holders of the Company Unaudited HK\$'000	Minority interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 January 2007	246,443	190,470	849,826	29,699	1,316,438	118,800	1,435,238
Profit/(loss) for the period	–	–	522,451	–	522,451	(2,713)	519,738
Disposal of available-for-sale financial assets	–	(4,664)	–	–	(4,664)	–	(4,664)
Surplus on revaluation	–	5,250	–	–	5,250	–	5,250
Exchange realignment	–	9,200	–	–	9,200	493	9,693
Total recognised income and expenses for the period	–	9,786	522,451	–	532,237	(2,220)	530,017
Disposal of subsidiaries	–	–	–	–	–	(42,047)	(42,047)
Acquisition of a subsidiary	–	–	–	–	–	1,791	1,791
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	(3,785)	(3,785)
Final 2006 dividend declared	–	–	–	(29,699)	(29,699)	–	(29,699)
Interim 2007 dividend proposed	–	–	(26,517)	26,517	–	–	–
At 30 June 2007	246,443	200,256	1,345,760	26,517	1,818,976	72,539	1,891,515
At 1 January 2006	246,443	174,238	567,588	–	988,269	248,032	1,236,301
Profit/(loss) for the period	–	–	181,502	–	181,502	(17,494)	164,008
Change in fair value of available-for-sale financial assets	–	2,815	–	–	2,815	707	3,522
Surplus on revaluation	–	1,010	–	–	1,010	–	1,010
Exchange realignment	–	(61)	–	–	(61)	(179)	(240)
Total recognised income and expenses for the period	–	3,764	181,502	–	185,266	(16,966)	168,300
Acquisition of a subsidiary	–	–	–	–	–	11,514	11,514
Acquisition of additional equity interest in a subsidiary	–	–	–	–	–	(152,473)	(152,473)
Transfer to statutory reserves	–	990	(990)	–	–	–	–
Dividends paid to minority shareholder of a subsidiary	–	–	–	–	–	(1,500)	(1,500)
At 30 June 2006	246,443	178,992	748,100	–	1,173,535	88,607	1,262,142

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(131,897)	(178,038)
Net cash inflow/(outflow) from investing activities	73,350	(141,690)
Net cash inflow from financing activities	82,025	350,327
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Net increase in cash and cash equivalents	23,478	30,599
Cash and cash equivalents at beginning of the period	249,203	173,075
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Cash and cash equivalents at end of the period	272,681	203,674
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ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	272,825	204,645
Bank overdrafts	(144)	(971)
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	272,681	203,674
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. Principal accounting policies

The unaudited condensed interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standards (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants except in respect of the accounting for convertible note under HKAS 39.

During the period, the Group disposed of 51% equity interest in a subsidiary, Praise Rich Limited (“Praise Rich”) at a consideration which was wholly satisfied by receiving a convertible note of HK\$408 million with a subscription right for shares exercisable any time before the maturity date in 2012. The Group recognised that gain on disposal of the subsidiary with reference to the face value of convertible note as at the date of disposal. Under HKAS 39, the option to convert, being an embedded derivative attached to the convertible note, and the loan element of the convertible note should be carried at the fair value and amortised cost, respectively.

Had HKAS 39 been adopted, the impact on the financial statements would be as follows:

- (i) On the consolidated income statement, the gain on disposal of subsidiary would have been increased by approximately HK\$1.0 billion and an imputed interest income of approximately HK\$4.2 million would have been recognised for the interim period, and
- (ii) On the consolidated balance sheet, the value of the convertible note (the loan element and the embedded derivative) and the available-for-sale financial asset revaluation reserve as at 30 June 2007 would have been increased by approximately HK\$2.3 billion and HK\$1.3 billion respectively.

Other than as disclosed above, 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.

These interim financial statements should be read, where relevant, in conjunction with the 2006 annual financial statements of the Group.

2. Turnover and segmental information

An analysis of the Group's consolidated turnover and contribution to profit from operations by principal activity and geographical location for the six months ended 30 June 2007 and 2006 is as follows:

	Turnover		Contribution to profit/ (loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Trading and manufacturing	822,825	616,017	12,037	(37,582)
Property investment and development	18,072	7,734	8,353	7,284
Travel and related services	1,087,516	917,963	17,391	11,308
Information and technology	27,550	39,985	(2,407)	(4,364)
Agriculture	950	883	(2,550)	(2,372)
Investment holding	—	—	338,721	205,322
	<u>1,956,913</u>	<u>1,582,582</u>	<u>371,545</u>	<u>179,596</u>
By geographical location*:				
The People's Republic of China (the "PRC")				
including Hong Kong and Macau	1,181,154	1,029,454	357,217	223,521
United States of America	518,203	337,724	11,336	(17,279)
Europe	156,263	148,165	(33)	(17,799)
Japan	4,685	7,402	23	(2,408)
Others	96,608	59,837	3,002	(6,439)
	<u>1,956,913</u>	<u>1,582,582</u>	<u>371,545</u>	<u>179,596</u>

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

3. Gain on disposal of subsidiaries

The subsidiaries disposed of were Nority International Group Limited ("NIG") and Praise Rich. Please refer to the section headed "MATERIAL ACQUISITIONS AND DISPOSALS".

4. Depreciation

Profit from operations for the period is arrived at after charging depreciation of approximately HK\$24,336,000 (six months ended 30 June 2006: HK\$22,881,000) in respect of the Group's property, plant and equipment.

5. Tax

Hong Kong profits tax was provided at the rate of 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profit at rates of taxation prevailing in the countries in which the Group operates.

6. Interim dividend

	2007	2006
	HK\$'000	HK\$'000
Interim – HK1.0 cent per ordinary share (2006: Nil)	<u>26,517</u>	<u>—</u>

7. Basic earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$522,451,000 (six months ended 30 June 2006: HK\$181,502,000) and on 2,651,673,710 shares (six months ended 30 June 2006: 2,651,673,710 shares as adjusted for the subdivision of shares) in issue during the period.

Diluted earnings per share is not shown as no diluting event existed for both periods.

8. Construction in progress, convertible note and other financial liabilities

During the period, 51% of Praise Rich's 80% interest in a property development project situated in a prime commercial area in the city of Shenyang, the PRC, to build a landmark commercial complex was injected into a related company of the Group, South China Land Limited ("SCL", formerly known as Capital Publications Limited), at a consideration of HK\$408 million. SCL is a company listed on the Growth Enterprise Market of the Stock Exchange ("GEM Board"). The consideration was satisfied by a non-interest bearing convertible note with face value of HK\$408 million carrying a right to subscribe for the shares in SCL at HK\$0.075 per share exercisable any time before the maturity date in 2012. Simultaneously, the Company granted a land appreciation tax indemnity to SCL.

The transactions resulted in a reduction in the Construction in progress, and also two new items namely Convertible note and Other financial liabilities being recognized on the Consolidated Balance Sheet. Please refer to the section headed "**MATERIAL ACQUISITIONS AND DISPOSALS**".

9. Interests in associates

The amounts included advances to an associate indirectly held by the Company and details are as follows:

Name of associate	Proportion of issued capital held indirectly by the Company	Advances from the Group as at 30 June 2007 HK\$'000	Guarantees given by the Group HK\$'000
Firm Wise Investment Limited ("FWIL") (Note)	30%	213,067	210,000

Note: The advances and guarantees given were used to finance a property development project in Hong Kong. The advances are unsecured, interest bearing at 0.5% per annum, repayable on demand and subordinated to the bank loans of the associate. The guarantees given is to be matured in November 2010 of which approximately HK\$196,082,000 were utilized as at 30 June 2007.

The following details have been extracted from the unaudited financial statements of the Group's significant associate, FWIL:

	As at 30 June 2007 HK\$'000
Assets	<u>1,696,203</u>
Liabilities	<u>(1,476,356)</u>

10. Trade receivables

Trade receivables of approximately HK\$396,249,000 (31 December 2006: HK\$269,299,000), substantially with an aging within 6 months, are stated net of provision for impairment.

Impairment is recognised when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables.

11. Trade payables

Trade payables of approximately HK\$483,716,000 (31 December 2006: HK\$503,127,000) are substantially with an aging within 6 months.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK\$2.0 billion and profit of HK\$519.7 million for the six months period ended 30 June 2007, representing an increase of 24% in turnover, and approximately 2 times the profit as compared to the corresponding period in 2006.

Trading and Manufacturing

The segment recorded a 34% growth in turnover to HK\$822.8 million and a profit of HK\$12.0 million as compared to a loss of HK\$37.6 million for the corresponding period in 2006.

Both the manufacturing of toys and shoes performed well in the first half of the year that substantially accounted for the growth in turnover and profit for the period. Orders for some hot promotional toy products increased together with the launch of movies in the spring season. Similarly, orders for both new and existing shoe items raised significantly in early this year. These two manufacturing units turned around the historical low seasonal first-half-year negative result to profit for the trading and manufacturing segment.

During the period, the Group disposed of NIG, a subsidiary listed on the Stock Exchange engaging in manufacturing of athletes and leisure shoes, to an independent third party and realised a gain on disposal of approximately HK\$55.3 million. The Group maintained 35% interest in a subsidiary and the main shoe manufacturing company of NIG.

Property Investment and Development

Our rental portfolio reported a rental profit of HK\$8.4 million. Most of our investment properties had double-digit growth in rental income on renewal of tenancies, in particular for some quality commercial units.

The rise in rental income has also accounted for the contribution from our PRC properties after increasing the controlling stake in a joint venture that holds a sizable site in the prime retail district in Nanjing last year. The properties in Nanjing region generated satisfactory rental profit for the first half of the year.

Travel and Related Services

The air ticketing sale business under Fourseas group outperformed the market with an overall growth of about 18% in turnover as compared with Hong Kong's air travel that recorded a strong 14% growth in the first half of the year. Despite the strong growth in turnover, the Fourseas group successfully managed to control overheads by streamlining operations. Hence there was no significant increase in cost of operations.

The improved performances resulted in a bottom line of HK\$17.4 million before tax and finance costs, an increase of 54% compared with the corresponding period in 2006. Fourseas group is further consolidating its position as a leading wholesale air ticketing sales agent in the Hong Kong market with continued growth in its market share.

Information and Technology

For IT segment, we have exerted efforts on cutting administrative expenses and streamlining operations over the past 12 months. The segment's turnover dropped over 31%, but loss was reduced by 45% from HK\$4.4 million for the corresponding period in 2006 to HK\$2.4 million in the period under review.

Agriculture

The agricultural business reported a loss of HK\$2.6 million over the period as compared with a loss of HK\$2.4 million for the first half of 2006. Operations remain stable while the business unit is still in its investment period.

CHANGE OF COMPANY NAME

A special resolution was passed at the extraordinary general meeting of the Company held on 21 August 2007 to change the name of the Company from "South China Industries Limited" (Chinese translation being "南華工業有限公司" for identification purpose only) to "**South China (China) Limited**" (Chinese translation being "南華(中國)有限公司" for identification purpose only) with effect from 21 August 2007.

The Board considers that the change of the name of the Company will provide a better reflection of the Company's business strategy, direction and plan for its future development. The business segments of the Company are so diversified that the word "Industries" in the former company name may not be able to reflect such diversification clearly to the public.

Given the dramatic growth potential in the PRC and the Company's long established network in various locations in the PRC, the Company intends to explore further business and development opportunities in the PRC. In future, the Company will foster its resources and expertise in the areas of property, manufacturing and agriculture and woods, particularly those in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group had a current ratio of 1.05 and a gearing ratio of 2.0% (31 December 2006: 1.03 and 9.0% respectively). The gearing ratio is computed on comparing the Group's total long-term bank borrowings of HK\$37.1 million to the Group's equity of HK\$1,891.5 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

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 debt securities or other capital instruments as at 30 June 2007 and up to the date of this report.

At the extraordinary general meeting of the Company held on 21 August 2007, ordinary resolutions were passed to approve (i) the subdivision of each of the issued and unissued shares of HK\$0.10 in the capital of the Company into 5 shares of HK\$0.02 each (the “Subdivided Shares”); and (ii) change of board lot size to 8,000 Subdivided Shares; and (iii) bonus issue of warrants to subscribe the Subdivided Shares at the initial exercise price of HK\$0.40. The share subdivision and the change in board lot size took effect from 22 August 2007 and the bonus issue of warrants will commence dealings on 7 September 2007.

MATERIAL ACQUISITIONS AND DISPOSALS

During the period, the Group had the following material acquisitions and disposals:

In January 2007, the Group disposed of its entire 95.35% interest in NIG to an independent third party at a consideration of HK\$105.4 million. At the same time, the Group acquired 100% interest in Nority (BVI) Limited (together with its loan due to NIG) and 35% interest in Nority Limited, the then wholly owned subsidiaries of NIG, at considerations of HK\$75.6 million and HK\$3.5 million respectively. Details of the transactions were set out in the circular of the Company dated 18 December 2006.

In March 2007, the Group disposed of 51% interest in Praise Rich and assigned a debt owed by the same of approximately HK\$47.7 million to SCL, a related company of the Group, at a consideration of HK\$408 million. The consideration was satisfied by a non-interest bearing convertible note with face value of HK\$408 million carrying a right to subscribe for shares in SCL at HK\$0.075 per share exercisable any time before the maturity date in 2012. Under this transaction, the Group also granted a land appreciation tax indemnity to SCL and guarantees for certain existing and proposed loan facilities of Praise Rich or its subsidiaries as set out in the section headed “**PLEDGES OF ASSETS AND CONTINGENT LIABILITIES**”. Details of the transaction were set out in the circular of the Company dated 12 February 2007.

POST BALANCE SHEET EVENTS

In July 2007, the Group disposed of the remaining 49% interest in Praise Rich and assigned a debt owed by the same of approximately HK\$45.8 million to SCL at a consideration of HK\$392 million. The consideration was satisfied by a non-interest bearing convertible note with face value of HK\$392 million carrying a right to subscribe for shares in SCL at HK\$0.075 per share exercisable any time before the maturity date in 2012. Under this transaction, the Group also granted an additional land appreciation tax indemnity to SCL. Details of the transaction were set out in the circular of the Company dated 13 June 2007.

In August 2007, the Group disposed of its entire interest in travel and information technology businesses to its holding company, South China Holdings Limited (“SCH”), at a consideration of HK\$122.1 million. In exchange, the Company through its wholly owned subsidiaries acquired from SCH certain investment properties located in Hong Kong and the berths and membership debentures of a golf and country club at Sai Kung, Hong Kong. Details of the transactions were set out in the circular of the Company dated 25 July 2007.

PLEDGES OF ASSETS AND CONTINGENT LIABILITIES

As part of the terms for the sale of the 51% interest in Praise Rich in March 2007, the Group continues to grant the guarantee in favour of a bank to secure the loan facility of HK\$80 million of a subsidiary of Praise Rich. Such loan facility will expire in June 2009. The Group also undertook to provide a guarantee for three years from March 2007 to secure the due and punctual performance of the obligations of Praise Rich and any of its subsidiaries under a proposed loan facility of up to HK\$500 million.

Save for the above, there was no material change in the Group's pledges of assets and contingent liabilities as compared to the most recently published annual report.

EMPLOYEES

As at 30 June 2007, the total number of employees of the Group was approximately 28,400. 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.

PROSPECTS

Trading and Manufacturing

The current environment facing toy manufacturers in Southern China is certainly at its most challenging chapter in history. Adverse trends in currency and all the cost factors will continue to affect manufacturers in Mainland. The current quality and product recall issues facing China as a whole will certainly deter and defer customers ordering sentiment in the short run. However, we believe retailers should have less appetite to drive prices down by using less than reliable manufacturers. In the long run, this will undoubtedly lead to price adjustments, which in turn will drive growth with reputable and sizeable manufacturers. We trust the long-standing reputation as market leader of both our principal manufacturing subsidiaries, Wah Shing Toys and the award-winning shoe operation in Tianjin in terms of reliability and quality, will give the Group a unique position to flourish despite the harsh and deteriorating condition in the years ahead.

In addition, we are striving further efforts in the one-stop chain of toy manufacturing by investing into research and development and new technology that strengthen our ability to offer original design manufacturer (ODM) business opportunities in the near coming future.

Property Investment and Development

We expect our Hong Kong portfolio to continue to appreciate and the Group may consider divesting in the coming twelve months.

Management believes that the recent acquisition of equity stake in each and every one of our Nanjing's property portfolio will prove to be a key strategic move for the company in the years to come. Not only do we expect to improve existing rental income drastically over the next few years but also we are confident in unlocking the high development value of potential retail sites in our accumulated land bank.

On a similar scale, the Group currently controls sizable industrial use land bank in Tianjin. Based on our experience with commercializing industrial site in city centre in Nanjing, management believes there is further redevelopment potential of our Tianjin property portfolio which we will explore in the near future.

The transfer of the 80% equity interest in the property development project of a prime retail shopping complex in Shenyang to a related company listed on the GEM Board, SCL, has fully completed in July 2007. The project is to build a landmark shopping centre in the central commercial district of Shenyang with gross retail rental floor area of approximately 117,200 square metres. As at the balance sheet date, the Group held a non-interest bearing convertible note in the principal amount of HK\$408 million (as shown on the consolidated balance sheet) due in 2012 carrying a right to subscribe for SCL shares at HK\$0.075 per share before maturity. Upon the conversion of the convertible note, the Group may hold up to 75% of SCL.

On top of the ongoing development at Shenyang, SCL will commence construction work for the 400,000 square metres property project located at the Tianjin-Bohai region within the year.

The Group is still actively seeking appropriate land parcels in Tianjin-Bohai, Chongqing, Shenyang and other rapidly developing region in the Mainland.

Travel and Related Services

The strong economy and increasing air traffic are all positive factors for Fourseas group entering the second half of the year. Fourseas group will look to continue to build upon the positive results from the first half of the year and actively look for tourism related investment opportunities in China.

Information and Technology

The information and technology operation will further expand in the provision of services and software development. We are still investigating the possibility of a listing on the London's Alternative Investment Market and other similar exchange.

Agriculture

As of third quarter 2007, we have negotiated further acreage to total 60,000 mu (40 million square metres) of a forestry plantation project in Chongqing. We are looking to expand acreage in Jiangsu, Hebei and other provinces. Management's focus will be on multiplying the successful pig rearing model in Hebei as well as exploring a new revenue source in agricultural wholesale markets.

OTHER INFORMATION

INTERIM DIVIDEND

The Board declared an interim dividend of HK1.0 cent (2006: Nil) per share, totalling approximately HK\$26.5 million (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 12 October 2007. The interim dividend will be paid on or about 18 October 2007.

CLOSURE OF REGISTER FOR ENTITLEMENT TO INTERIM DIVIDEND

The register of members of the Company will be closed from 11 October 2007 to 12 October 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 not later than 4:00 p.m. on 10 October 2007. The address of the Share Registrar is currently located at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong and will, as from 1 October 2007, be changed to Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

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 any of 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 under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(1) Long positions in shares

(a) The Company

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng Hung Sang ("Mr. Ng")	Interest of controlled corporations	396,641,357 (Note a)	74.79%

(b) Associated Corporations

(i) SCH (Note b)

Name of director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Beneficial owner Interest of controlled corporations	71,652,200 1,272,529,612 (Note c)	1,344,181,812	73.72%
Mr. Richard Howard Gorges ("Mr. Gorges")	Interest of controlled corporations	487,949,760 (Note c)	487,949,760	26.76%
Ms. Cheung Choi Ngor ("Ms. Cheung")	Interest of controlled corporations	487,949,760 (Note c)	487,949,760	26.76%

(ii) South China Financial Holdings Limited (“SCFH”) (*Note d*)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	3,660,502,500 (<i>Note e</i>)	73.08%
Mr. Gorges	Beneficial owner	12,174,000	0.24%

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

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng Yuk Fung, Peter	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	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	30 (<i>Note h</i>)	30%

(2) Interests in underlying shares of SCFH

Name of director	Capacity	Number of underlying shares*	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	30,000,000	0.60%
Ms. Cheung	Beneficial owner	30,000,000	0.60%
Mr. Ng Yuk Fung, Peter	Beneficial owner	50,000,000	1.00%

* Represents underlying shares subject to share options granted to the directors, details of which are as follows:

Name of director	Date of Grant	Subscription Price	No. of share options granted	Exercise Period
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
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. Ng Yuk Fung, Peter	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

Notes:

- (a) The 396,641,357 shares in the Company 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 the Company 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) below and as a director of SCH, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of the Company under the SFO.
- (b) SCH owns 74.79% shareholdings in the Company and is the ultimate holding company of the Company.
- (c) Mr. Ng, Ms. Cheung and Mr. Gorges, through companies wholly-owned and controlled by them, have interests in 487,949,760 shares in SCH. Mr. Ng personally owns 71,652,200 shares and through companies wholly-owned and controlled by him, beneficially owns 784,579,852 shares in SCH.
- (d) SCH owns 73.08% in the issued share capital of SCFH.
- (e) The 3,660,502,500 shares in SCFH are held by certain wholly-owned subsidiaries of SCH. By virtue of the interests in the shares of SCH in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of SCH as described in Note (c) above and as a director of SCH, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCFH under the SFO.
- (f) SCFC is a 98.36% owned subsidiary of SCFH.
- (g) Prime Prospects is a 70% owned subsidiary of SCH.
- (h) Mr. Ng and his family, through a company wholly owned and controlled by them, have interests in 30 shares in Prime Prospects.

Save as disclosed above, none of the directors or chief executive of the Company had, as at 30 June 2007, 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 under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INFORMATION ON SHARE OPTION SCHEMES

The directors and employees of the Company and its subsidiaries are entitled to participate in the share options scheme adopted at the annual general meeting of the Company held on 31 May 2002 (the “Scheme”).

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

NIG adopted a share option scheme (“NIG Scheme”) on 10 June 2003. Under the NIG Scheme, the directors of NIG may, in their absolute discretion, grant share options to the eligible participants to subscribe for shares in NIG. NIG ceased to be a subsidiary of the Company on 5 January 2007. No option was granted or was outstanding under the NIG Scheme up to and including 5 January 2007.

Save as disclosed above, at no time during the period ended 30 June 2007, the directors and chief executives of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS OR 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 SFO:

Long positions in shares

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of shareholding
SCH	Interest of controlled corporations	396,641,357	74.79%

Note:

The ordinary shares of HK\$0.10 each in the capital of the Company were subsequently subdivided into 5 shares of HK\$0.02 each with effect from 22 August 2007.

Save as disclosed above, as at 30 June 2007, the Company had not been notified by any other 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

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 the Auditors, the Group’s financial statements and system of internal control. The audit committee comprises three independent non-executive directors namely Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice (Committee Chairman).

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 such results have been prepared in accordance with HKAS except the accounting for convertible note under HKAS 39 and that adequate disclosures have been made.

The management considered that the application of cost method on this transaction better reflects the true financial position of the Group before and after the exercise of the convertible note. The main purpose of the Group to dispose of the interest in Praise Rich to SCL was to transfer the assets of the Group to a related company. Nevertheless, the Audit Committee would normally encourage a full adoption of HKAS 39 on this transaction.

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.

On behalf of the Board

Ng Hung Sang

Chairman

Hong Kong, 5 September 2007

As at the date of this report, the Board comprises (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung Peter as executive directors; (2) Ms. Ng Yuk Mui, Jessica as non-executive director; and (3) Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice as independent non-executive directors.