



SHANG HUA HOLDINGS LIMITED

上華控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 371)

FINAL RESULTS

FOR THE YEAR ENDED 30 JUNE, 2007

The board of directors (the “Board”) of Shang Hua Holdings Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2007 together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Turnover	1	19,899	35,786
Cost of sales		(19,695)	(34,911)
Gross profit		204	875
Interest income		1,067	815
Other income		295	48
Distribution costs		—	(73)
Administrative expenses		(4,186)	(4,867)
Loss before taxation	2	(2,620)	(3,202)
Income tax credit	3	53	14
Loss for the year attributable to equity holders of the Company		(2,567)	(3,188)
Loss per share-basic	4	(3.08 HK cents)	(3.93 HK cents)

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		71	97
Goodwill		—	—
		<u>71</u>	<u>97</u>
CURRENT ASSETS			
Trade receivables, deposits and prepayment		2,251	154
Investments held-for-trading		431	1,682
Pledged bank deposits		75	75
Bank balances and cash		29,287	32,088
		<u>32,044</u>	<u>33,999</u>
CURRENT LIABILITY			
Trade and other payables		679	744
		<u>679</u>	<u>744</u>
NET CURRENT ASSETS			
		<u>31,365</u>	<u>33,255</u>
		<u>31,436</u>	<u>33,352</u>
CAPITAL AND RESERVES			
Share capital	5	8,328	8,328
Reserves		23,108	25,024
		<u>31,436</u>	<u>33,352</u>

NOTES:

1. SEGMENTAL INFORMATION

Revenue

Revenue represents the net amounts received and receivable for goods sold, less returns and allowance, to outside customers during the year.

Business segments

Revenue and contribution to operating results and assets and liabilities by business segments have not been prepared as the Group's revenue was solely derived from the trading of computers and related products.

Geographical segments

For management purposes, the Group is currently organized into two major geographical segments based on the destination of shipment of products. These segments are the basis on which the Group reports its primary segment information.

The following is an analysis of the Group's sales by geographical market irrespective of the origin of the goods:

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2007

	Hong Kong <i>HK\$'000</i>	The People's Republic of China (the "PRC") other than Hong Kong <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales	<u>17,775</u>	<u>2,124</u>	<u>19,899</u>
RESULT			
Segment result	<u>(2,265)</u>	<u>(385)</u>	(2,650)
Interest income			1,067
Unallocated corporate incomes			295
Unallocated corporate expenses			<u>(1,332)</u>
Loss before taxation			(2,620)
Income tax credit		53	<u>53</u>
Loss for the year			<u>(2,567)</u>

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2006

	Hong Kong HK\$'000	PRC other than Hong Kong HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	<u>35,405</u>	<u>381</u>	<u>35,786</u>
RESULT			
Segment result	<u>(1,924)</u>	<u>(583)</u>	(2,507)
Interest income			815
Unallocated corporate expenses			<u>(1,510)</u>
Loss before taxation			(3,202)
Income tax credit	—	14	<u>14</u>
Loss for the year			<u>(3,188)</u>

2. LOSS BEFORE TAXATION

	2007 HK\$'000	2006 HK\$'000
Loss before taxation has been arrived at after charging:		
Directors' remuneration		
Fees	718	410
Other emoluments	46	74
Other staff costs		
Salaries	1,695	1,882
Retirement benefit scheme contributions	<u>44</u>	<u>59</u>
Total staff costs	2,503	2,425
Auditors' remuneration	166	371
Depreciation of property, plant and equipment	41	61
Loss on change in fair value of investments held-for-trading	—	25
Net foreign exchange losses	—	40
and after crediting:		
Gain on change in fair value of investments held-for-trading	(25)	—
Net foreign exchange gain	<u>(25)</u>	<u>—</u>
Write-back of bad debts	—	(6)
Gain on disposal of property, plant and equipment	<u>—</u>	<u>(26)</u>

3. INCOME TAX CREDIT

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The (credit) comprises:		
PRC Enterprise Income Tax		
Current year	—	—
Overprovision in prior years	<u>(53)</u>	<u>(14)</u>
	<u>(53)</u>	<u>(14)</u>

No provision was made for the PRC Enterprise Income Tax for the year ended 30 June 2006 and 2007 as the subsidiary incurred a loss for both years.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong incurred tax losses for both years.

The tax credit for the year can be reconciled to the loss before taxation as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before taxation	<u>(2,620)</u>	<u>(3,203)</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2006:17.5%)	(458)	(560)
Tax effect of expenses not deductible for tax purposes	84	166
Tax effect of income not taxable for tax purposes	(187)	(167)
Tax effect of deferred tax assets utilised	(44)	(16)
Tax effect of tax losses not recognized	627	520
Effect of different tax rates of a subsidiary operating in the PRC	(22)	57
Overprovision of taxation in prior years	<u>(53)</u>	<u>(14)</u>
Tax credit for the year	<u>(53)</u>	<u>(14)</u>

At 30 June 2007, the Group has deductible temporary differences and estimated unused tax losses of approximately HK\$53,993 (2006: HK\$272,000) and HK\$78,963,892 (2006: HK\$75,918,029) respectively available for offset against future profits. No deferred tax assets have been recognized in the consolidated financial statements due to the unpredictability of the future profits streams. The tax losses may be carried forward indefinitely.

4. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year of approximately HK\$2,567,000 (2006: HK\$3,188,000) and on weighted average number of 83,285,449 (2006: 81,108,618) shares in issue throughout the year.

On 27 July 2007, the Company issued convertible bonds in the aggregated principal amount of HK\$100,000,000. The convertible bonds are zero coupon-based and have maturity terms of three years until 27 July 2010. No diluted loss per share for the year ended 30 June 2007 is presented as the potential ordinary shares in respect of the convertible bonds are anti-dilutive.

No diluted loss per share ended 30 June 2006 is presented as no dilutive potential ordinary shares is in issue for the year.

5. SHARE CAPITAL

	Number of shares		Amount	
	2007	2006	2007	2006
			HK\$'000	HK\$'000
Authorised:				
At beginning and at end of year	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
At beginning of the year	83,285,449	55,523,633	8,328	5,552
Issue of shares (<i>Note i</i>)	–	27,761,816	–	2,776
At end of year	83,285,449	83,285,449	8,328	8,328

Note:

- (i) On 22nd August, 2005, the Company raised net proceeds of approximately HK\$2.6 million by an open offer of 27,761,816 offer shares at HK\$0.10 per share on the basis of one offer share for every two shares held (“Open offer”) to provide additional working capital for the Group. Upon the completion of the Open Offer, the number of ordinary shares issued and fully paid of the Company was increased from 55,523,633 to 83,285,449.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2007 (2006: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 12 November 2007 to 15 November 2007 both days inclusive, for the purpose of establishing entitlements of the Shareholders to vote at the Annual General Meeting. During this period, no share transfer will be registered.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

For the year ended 30 June 2007, the Group recorded a turnover of approximately HK\$19,899,000, representing a decrease of approximately 44.39% as compared to the last year (2006: HK\$35,786,000). This significant contraction in business during the financial year is a result of keen competition in the computer consumer products market during the year.

The Group’s gross profit margin was approximately 1.03% for the year ended 30 June 2007 as compared to approximately 2.45% in 2006. Other revenue earned by the Group for the year ended 30 June 2007 was approximately HK\$1,362,000, representing an increase of approximately 57.82% as compared to the last year (2006: HK\$863,000).

The Group's administrative expense was approximately HK\$4,186,000 for the year ended 30 June 2007, representing a decrease of approximately 13.99% as compared to the last year (2006: HK\$4,867,000).

The Group has no finance cost during the year ended 30 June 2007 as the Group incurred no borrowing for the year.

For the year ended 30 June 2007, the loss attributable to shareholders of the Group was amounted to HK\$2,567,000, representing an improvement of approximately HK\$621,000 or a decrease of approximately 19.48% as compared to the last year (2006: HK\$3,188,000). This improvement was due to the effective control of the overall operating expenses of the Group.

Significant investments and acquisitions

The share capital of Shang Hua Capital Limited, a wholly-owned subsidiary of the Company, was increased from HK\$200,000 to HK\$10,000,000.

Saved as mentioned above, the Group had no material significant investments and acquisitions of subsidiaries and affiliated companies during the year ended 30 June 2007. (2006: Nil).

Capital commitments

As at 30 June 2007, the Group did not have any capital commitment (2006: Nil).

Contingent liabilities

As at 30 June 2007, the Group did not have any contingent liabilities (2006: Nil).

Charges on group assets

As at 30 June 2007, the Group pledged bank deposits of approximately HK\$75,000 (2006: HK\$75,000), which carry fixed interest rate of 3.75% to secure general banking facilities granted to a subsidiary.

Saved as mentioned above, the Group did not have any charges on the Group's assets.

Foreign exchange exposure

The Group mainly earns revenue and incurs cost in Hong Kong dollars and Renminbi. The Directors consider the impact of foreign exchange exposure of the Group is not significant as the terms of purchase and sales contracts dealt with foreigners will consider the foreign exchange effect and will not bear unforeseeable foreign currency exchange risk.

Liquidity and financial resources

The Group generally finances its operations with internally generated resources. As at 30 June 2007, the Group did not have any banking facilities.

As at 30 June 2007, there was a surplus in the shareholders' funds amounting to approximately HK\$31,436,000 (2006: HK\$33,352,000). Current assets amounted to approximately HK\$32,044,000, of which approximately 91.4% or HK\$29,287,000 was bank and cash balances. The Group's current liabilities amounted to approximately HK\$679,000 which mainly was trade and other payables. The current ratio was about 47 with times (2006: 46 times). Basically, the Group's own liquid resources are sufficient to finance the existing business activities of the Company.

On 12 April 2007, the Company entered into a subscription agreement with the major shareholder, Pioneer Wealth Limited, in which the Company contemplated to issue convertible bonds to Pioneer Wealth Limited in the aggregate amount of HK\$200 million. The new funding is primarily for development of the new business in financial service sector in next two years.

Furthermore, the Group has sufficient resources to enable the Company to participate into new business if and when suitable opportunity arises.

Gearing ratio

As at 30 June 2007, the Group's gearing ratio was almost zero as the Group has no borrowing.

Details of future plans for material investment or capital assets

The Directors currently do not have any future plans for material investment of capital assets.

Employees and Remuneration Policies

As at 30 June 2007, the Group had 18 employees (including the directors) (2006: 14) and staff costs (excluding directors' remuneration) amounted to approximately HK\$2,503,000 (2006: HK\$2,425,000) whilst the directors' remuneration amounted to approximately HK\$764,000 (2006: HK\$484,000). The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. All of the share options were lapsed on 30th June 2003 and during the year, no share option has been granted or exercised. The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. Employees of the Group in the PRC are members of the state-sponsored pension operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits.

Mr. Flynn Xixian Huang is the chairman of the Group, and he is mainly responsible for the Group's strategic expansion. The Chief Executive Officer, Mr. Chase J Wong, is responsible to manage the operations and promote the business of the Group.

The Group has continued and will continue to employ additional operational and business development personnel to strengthen the operation of the Group and to promote the Group's products.

BUSINESS REVIEW

In the year under review, the competition in computer consumer products was keen, and the turnover and gross profit margin were continued declining. This situation of intense competition is expected to continue and the Board believes that prospects in this market will not be exciting in the near term future.

The Group will continue to identify and actively seek prospective business to broaden its income sources.

On the other hand, the Group has imposed effective cost controls to reduce the administrative costs by approximately 13.99% for the year ended 30 June 2007.

PROSPECTS

Given the keen competition in the computer consumer products market in recent years, the Group is pessimistic about its future prospects. The Group has revamped its business strategy by diversifying its focus and resources to new business, and will continue to develop and introduce new profitable business. In time, the Group will continue to collaborate with local co-operative partners to seek prospective business in areas of high growth.

The Group believes its business prospects in the near future especially in view of the increasing attractions of financial markets in Hong Kong, Macau and China, as well as the increasing demand on environmental protection worldwide.

The Group is expecting to realize stronger and better business performance in the coming future.

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules during the period under review, except for the certain deviation disclosed herein:

Code A.2.1 of CG Code provides, inter alia, that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not officially have a position of Chief Executive Officer. However, Ms. Zhou Liping took up the roles of both the Chairman and Chief Executive Officer of the Company during a period from 1 April 2006 to 5 June 2007. On 5 June 2007, Ms. Zhou Liping resigned as the Chairman and Chief Executive Officer of the Company and Mr. Flynn Xuxian Huang was appointed as Chairman and Mr. Chase J Wong as Chief Executive Officer as to comply with the CG Code.

Code A.4.1 of CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors of the Company have not been appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the By-laws of the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The Company has engaged an independent consultant to perform internal controls designed assessment of certain systems and to prepare a report the “Report on Internal Control Related to Sales and Receipts Transactions and Trade Receivable” (the “Report”) to enable the management of the Company to evaluate and, where appropriate, carry out the recommended controls procedures of the Report. The Audit Committee has reviewed the Report.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct in respect of securities transactions of the directors (the “Model Code”). Having made specific enquiry of all directors, the Company has confirmed that all directors have complied with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions during the year.

ARRANGEMENTS TO PURCHASE SHARES

At no time during the year was the Company or its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the Stock Exchange’s website in due course.

On behalf of the Board
Flynn Xuxian Huang
Chairman

18th October, 2007, Hong Kong

As at the date thereof, the Board comprises three Executive Directors, namely, Mr. Flynn Xuxian Huang, Ms. Guan Mei and Mr. Chase J Wong and three Independent Non-executive Directors, namely, Messrs. Mr. Shea Chuk Lok, Quadrant, Mr. Chan Wai Kwong, Peter and Mr. So Kwok Keung.

* *For identification purpose only*