



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 2008 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
	<i>Notes</i>	Unaudited HK\$'000	Unaudited HK\$'000
Turnover	2	46,838	111,152
Other revenue	2	7,045	1,860
Fair value gain on an investment property		27,000	–
Gains on disposal of available-for-sale financial assets		–	72,413
Fair value (losses)/gains on financial assets at fair value through profit or loss		(61,980)	11,538
(Impairment)/reversal of impairment of loans receivable		(4,505)	7,380
Other operating expenses		(55,623)	(99,592)
(Loss)/profit from operating activities		(41,225)	104,751
Finance costs	5	(1,620)	(2,360)
(Loss)/profit before tax	3	(42,845)	102,391
Tax	6	(7,293)	(126)
(Loss)/profit for the period		<u>(50,138)</u>	<u>102,265</u>
Attributable to:			
Equity holders of the Company		(50,139)	102,254
Minority interests		1	11
		<u>(50,138)</u>	<u>102,265</u>
(Loss)/earnings per share	8		
Basic		HK(1.00) cent	HK 2.04 cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2008 Unaudited HK\$'000	As at 31 December 2007 Audited HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		33,518	33,010
Investment property		207,000	180,000
Intangible assets		836	836
Other assets		6,082	6,085
Loans receivable	9	5,441	6,913
Deferred tax assets		15	2,782
Total non-current assets		<u>252,892</u>	<u>229,626</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	10	131,956	186,523
Loans receivable	9	165,001	245,566
Trade receivables	11	191,112	86,365
Other receivables, prepayments and deposits		11,910	7,958
Tax recoverable		181	7,117
Pledged time deposits		5,750	5,750
Cash held on behalf of clients		322,110	538,546
Cash and cash equivalents		144,399	79,544
Total current assets		<u>972,419</u>	<u>1,157,369</u>
CURRENT LIABILITIES			
Amount due to an intermediate holding company		–	4,652
Client deposits		318,560	518,718
Trade payables	11	175,210	86,141
Tax payable		3,013	3,028
Other payables and accruals		9,794	24,182
Interest-bearing bank and other borrowings		148,435	143,481
Total current liabilities		<u>655,012</u>	<u>780,202</u>
NET CURRENT ASSETS		<u>317,407</u>	<u>377,167</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>570,299</u>	<u>606,793</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		90,650	53,984
Deferred tax liabilities		18,106	13,651
Total non-current liabilities		<u>108,756</u>	<u>67,635</u>
Net assets		<u>461,543</u>	<u>539,158</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		125,720	125,715
Reserves		334,853	382,277
Proposed dividend		–	30,172
Minority interests		<u>460,573</u>	<u>538,164</u>
		<u>970</u>	<u>994</u>
Total equity		<u>461,543</u>	<u>539,158</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital Unaudited HK\$'000	Other Reserves Unaudited HK\$'000	Retained Profits/ (Accumulated losses) Unaudited HK\$'000	Proposed dividend HK\$'000	Attributable to equity holders of the company Unaudited HK\$'000	Minority Interest Unaudited HK\$'000	Total equity Unaudited HK\$'000
THE GROUP							
At 1 January 2008	<u>125,715</u>	<u>234,903</u>	<u>147,374</u>	<u>30,172</u>	<u>538,164</u>	<u>994</u>	<u>539,158</u>
Loss for the period	<u>-</u>	<u>-</u>	<u>(50,139)</u>	<u>-</u>	<u>(50,139)</u>	<u>1</u>	<u>(50,138)</u>
Total income and expenses recognized during the period	<u>-</u>	<u>-</u>	<u>(50,139)</u>	<u>-</u>	<u>(50,139)</u>	<u>1</u>	<u>(50,138)</u>
Acquisition of minority interests	-	-	-	-	-	(25)	(25)
Issue of shares on exercise of warrants	5	28	-	-	33	-	33
Equity-settled share option arrangement	-	2,687	-	-	2,687	-	2,687
Dividend paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,172)</u>	<u>(30,172)</u>	<u>-</u>	<u>(30,172)</u>
At 30 June 2008	<u>125,720</u>	<u>237,618</u>	<u>97,235</u>	<u>-</u>	<u>460,573</u>	<u>970</u>	<u>461,543</u>
At 1 January 2007	<u>125,122</u>	<u>223,817</u>	<u>(1,917)</u>	<u>20,020</u>	<u>367,042</u>	<u>1,011</u>	<u>368,053</u>
Transfer to the income statement on disposal of available-for-sale financial assets	-	773	-	-	773	-	773
Profit for the period	<u>-</u>	<u>-</u>	<u>102,254</u>	<u>-</u>	<u>102,254</u>	<u>11</u>	<u>102,265</u>
Total income and expenses recognized during the period	<u>-</u>	<u>773</u>	<u>102,254</u>	<u>-</u>	<u>103,027</u>	<u>11</u>	<u>103,038</u>
Issue of shares on exercise of warrants	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	<u>-</u>	<u>-</u>	<u>(20,044)</u>	<u>20,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2007	<u>125,222</u>	<u>230,563</u>	<u>80,293</u>	<u>20,044</u>	<u>456,122</u>	<u>1,022</u>	<u>457,144</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	54,349	(999,918)
NET CASH INFLOW FROM INVESTING ACTIVITIES	408	95,775
NET CASH INFLOW FROM FINANCING ACTIVITIES	10,098	908,583
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,855	4,440
Cash and cash equivalents at beginning of the period	<u>79,544</u>	<u>91,672</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>144,399</u>	<u>96,112</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>144,399</u>	<u>96,112</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2008

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.

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 2007.

These interim financial statements should be read in conjunction with the 2007 annual financial statements.

2. Turnover and Other Revenue

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Turnover		
Commission and brokerage income	44,820	65,586
(Loss)/profit on trading of securities, bullion and futures contracts, net	(20,439)	10,340
Dividend income from listed investments	2,580	131
Interest income from loans receivable	15,023	19,571
Interest income from bank and financial institutions	2,919	9,030
Rendering of services	1,150	3,484
Gross rental income	785	3,010
	<u>46,838</u>	<u>111,152</u>
Other revenue		
Handling fee income	1,213	1,071
Others	5,832	789
	<u>7,045</u>	<u>1,860</u>

3. (Loss)/profit before tax

	Six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	HK\$'000	HK\$'000
The Group's (loss)/profit is arrived at after charging:		
Cost of services provided	17,101	29,863
Depreciation	1,642	1,085
Interest expenses for margin financing and money lending operations	2,365	9,705

4. Revenue 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 2008 and 2007 is as follows:

	2008	2007	2008	2007
	Revenue	Revenue	Profit/ (loss) from operating activities	Profit/ (loss) from operating activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Securities broking	45,823	66,161	7,823	18,415
Securities trading and investment	(17,859)	10,472	(81,813)	65,923
Margin financing and money lending	18,307	29,379	6,797	21,885
Corporate advisory and underwriting	1,358	4,265	(2,849)	(1,280)
Property investment	2,519	3,547	28,117	2,475
Corporate and others	3,906	1	700	(2,667)
Intersegment elimination	(171)	(813)	–	–
	<u>53,883</u>	<u>113,012</u>	<u>(41,225)</u>	<u>104,751</u>
Consolidated	<u>53,883</u>	<u>113,012</u>	<u>(41,225)</u>	<u>104,751</u>

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 16.5% (2007: 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

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: HK0.4 cent per ordinary share, totalling approximately HK\$20,043,564).

8. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK\$50,139,000 (2007: profit of HK\$102,254,000) and the weighted average number of 5,028,696,238 (2007: 5,005,613,162) ordinary shares in issue during the period.

Diluted (loss)/earnings per share has not been presented as the exercise of outstanding share options and warrants had no dilutive effect on the basic (loss)/earnings per share for the period.

9. 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:

	30 June 2008 Unaudited HK\$'000	31 December 2007 Audited HK\$'000
Repayable:		
On demand	139,200	219,208
Within 3 months	8,552	9,081
3 months to 1 year	17,249	17,277
1 year to 5 years	5,441	6,913
	<hr/>	<hr/>
	170,442	252,479
Portion classified as current assets	(165,001)	(245,566)
	<hr/>	<hr/>
Portion classified as non-current assets	5,441	6,913
	<hr/> <hr/>	<hr/> <hr/>

10. 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.

11. Trade receivables and payables

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Hong Kong equity market was characterized by a significant downturn in contrast with the rising trend experienced in the same corresponding period last year. The direction of the local stock market and the investor sentiment have been affected adversely by a mixture of external factors including the deteriorating sub-prime crisis leading to the slowing down of the US economy, the tightening austerity policies in China to control the inflationary pressures that accelerated the drastic downward correction in the Mainland stock markets as well as the surging oil price.

For the six months ended 30 June 2008, the Group recorded turnover of HK\$46.8 million and a net loss of HK\$50.1 million. When compared to the same period last year, the Group's turnover dropped by approximately 58% while the operating results in the current period were directly impacted by the market downturn. The greater than expected loss was mainly the result of an unrealized holding loss of HK\$62.0 million on writing down the trading and investment portfolio to their market values at 30 June 2008.

Other than the unrealized holding loss on investment in financial assets, the Group's principal businesses of securities broking, margin financing and property investment remained profitable and fundamentally sound.

Securities broking, trading and investment

In the first half of 2008, the Hang Seng Index stumbled from 27,632 in the beginning of January to its lowest at 21,108 in March and bounced slightly and then set back to close at 22,102 on 30 June. The overall investment sentiment was fragile and the market lacked confidence despite successive interest rate reductions. Although market volatility was high, the daily stock turnover declined substantially that caused our securities broking income to drop by 31% to HK\$45.8 million and operating profit reduced to HK\$7.8 million as compared with the same period last year.

The result of securities trading and investment for the six months ended 30 June 2008 was a loss of HK\$81.8 million which included HK\$62.0 million of unrealized holding loss as compared with a realized gain of HK\$65.9 million in the same period last year. The Group had financial assets at fair value through profit and loss of HK\$132.0 million in value after provision for unrealized holding loss as at the end of the period.

Margin financing and money lending

The slowdown of IPO activities coupled with the current squeezing interest rate spread among financial institutions has been continuing to exert pressure on our margin financing and money lending business. Revenue from interest income reported a fall of 38% and contribution from this segment reduced from HK\$21.9 million to HK\$6.8 million when compared to the same period last year. Our loan and advances portfolio for margin financing and personal loan contracted by 33% during the first six months of 2008 to HK\$170.4 million.

Corporate advisory and underwriting

Revenue from corporate advisory and underwriting business decreased by 68% to HK\$1.4 million and operating loss widened to HK\$2.8 million as the segment was directly affected by the lack of merger and acquisitions and IPO activities in the market in the first half of the year.

Property investment and others

Rental income from the investment property at Lippo Centre was HK\$2.5 million for the period under review. It declined slightly because of a vacant period in getting new tenants. A gain of HK\$22.5 million after deferred tax provision was reported on revaluation at the period-end.

Liquidity and Financial Resources

The Group has obtained bank credit facilities that are all renewable on a yearly basis. 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 credit facilities are guaranteed by the Company.

As at 30 June 2008, the Group's long term bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$90.7 million (31 December 2007: HK\$54.0 million), which, when related to the Group's equity of HK\$461.5 million (31 December 2007: HK\$539.2 million), represent a gearing ratio of approximately 19.6% (31 December 2007: 10.0%).

The Group has cash balance of HK\$144.4 million at the current period end, an increase over 80% from the last year-end. The Group has very sufficient working capital to meet its operational needs.

Exposure to Fluctuations in Exchange Rates and Related Hedges

As at 30 June 2008, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

Capital Structure

There was no material change in the Group's capital structure as compared to the most recent published annual report.

Investments

Financial assets at fair value through profit or loss decreased by HK\$54.6million after accounting for the decrease in fair value of the financial assets at fair value through profit or loss by HK\$62 million and net addition of financial assets at fair value through profit or loss by HK\$27.8 million and loss on disposal of financial assets at fair value through profit or loss by HK\$20.4 million.

Material Acquisitions and Disposals

The Group had no material acquisitions and disposals of subsidiaries and associates for the six months ended 30 June 2008.

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.

Employees

As at 30 June 2008, the total number of employees of the Group was approximately 169 (30 June 2007: approximately 170). Employees' cost (including directors' emoluments) amounted to approximately HK\$24.1 million for the six months ended 30 June 2008 (six months ended 30 June 2007: approximately HK\$29.06 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.

Prospects

Despite the adverse changes in sentiment of the stock markets in Hong Kong and China, the Company remains cautiously optimistic about the future development of the financial market in Hong Kong. With the existing infrastructure, Hong Kong will continue to be competitive among other major world capital markets as a centre of capital fund raising.

The current worldwide financial turmoil hits revenue but we see better opportunities available ahead. In China, the Ministry of Commerce of the PRC approved and issued us the license to operate a financial leasing company in Nanjing in March 2008. The leasing company is allowed to operate financial leasing business across China and has no territorial restrictions. The tightening of lending activities in the banking system in China exposes new business opportunities for second tier financial institutions such as financial leasing companies. The recruitment of key personnel has completed and this new business development is expected to bring new revenue streams to the Group in the near future.

MANAGEMENT OF RISKS

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks as detailed below.

(a) Credit risk

The Group's credit risk is primarily attributable to advances to customers, trade and other receivable, available-for-sales financial assets and equity investments at fair value through profit and loss.

In respect of advances to customers, the receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant.

Trade and other receivables mainly arise from the Group's brokerage business and investment activities. The Group trades only with recognized and creditworthy third parties, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

As at the balance sheet date, the Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it does not have a significant concentration of credit risk.

(b) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance lease and other interest-bearing loan.

The Group regularly monitors its liquidity requirements to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions by using a recurring liquidity planning tool. The tool considers the maturity of both financial instruments and financial assets and projected cash flows from operations.

For subsidiaries with statutory liquidity requirements, the Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The compliance department regularly monitors the daily financial status and internal controls of the Group to ensure the regulated subsidiaries are in compliance with related regulations.

(c) Interest rate risk

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's net debt obligations with a floating interest rate. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest rate with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rate is minimal.

(d) Foreign currency risk

Foreign currency risk is the risk of losses arising from adverse movement in foreign exchange rates relating to investments denominated in foreign currencies. When seeking to optimize the returns on its funds available for investment, the Group may invest in foreign securities from time to time. As the Group's assets and liabilities are primarily denominated in Hong Kong dollars, the management consider to the impact of foreign exchange exposure is minimal and no hedging of currency exposure had been carried out.

(e) Equity price risk

The Group is exposed to equity price risk for its investments in equity securities. The board of directors manages the exposure by closely monitoring the portfolio of equity investments. The Group's listed investments are listed on the Hong Kong stock exchange and are valued at quoted market prices at the balance sheet date.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: HK 0.4 cent per share).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) The Company

(i) Interests in shares

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Ng Hung Sang ("Mr. Ng")	Interest of controlled corporations	3,660,502,500 (<i>Note b</i>)	72.79%
Richard Howard Gorges ("Mr. Gorges")	Beneficial owner	12,174,000	0.24%
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	10,000,000	0.20%
Raymond Arthur William Sears ("Mr. Sears")	Interest of spouse	200,000	0.00%

(ii) *Interests in underlying shares*

a) **Warrants**

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	679,350,500 (Notes b & c)	13.51%
Mr. Gorges	Beneficial owner	2,434,800 (Note c)	0.05%
Ms. Cheung	Beneficial owner	2,000,000 (Note c)	0.04%
Mr. Sears	Interests of spouse	40,000 (Note c)	0.00%

b) **Share options**

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Mr. Gorges	Beneficial owner	30,000,000 (Note d)	0.60%
Ms. Cheung	Beneficial owner	20,000,000 (Note d)	0.40%
Ng Chun Sang	Beneficial owner	8,000,000 (Note d)	0.16%
Ng Yuk Yeung, Paul	Beneficial owner	50,000,000 (Note d)	0.99%

(b) **Associated corporations**

(i) *Interests in shares*

(1) **South China Holdings Limited (“SCH”)**

Name of Director	Capacity and Number of Shares		Total number of shares	Approximate % of issued share capital
	Beneficial owner	Interest of controlled corporations		
Mr. Ng	71,652,200	1,272,529,612	1,344,181,812 (Note a)	73.72%
Mr. Gorges	–	487,949,760	487,949,760 (Note a)	26.76%
Ms. Cheung	–	487,949,760	487,949,760 (Note a)	26.76%

(2) **South China (China) Limited (“SCC”)**

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	1,983,206,785 <i>(Note e)</i>	74.78%

(3) **South China Land Limited 南華置地有限公司 (“SCL”)**

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	347,338,203 <i>(Note f)</i>	68.58%

(4) **South China Financial Credits Limited (“SCFC”) *(Note g)***

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Ng Yuk Yeung, Paul	Beneficial owner	250,000	0.59%

(5) **Prime Prospects Limited (“Prime Prospects”) *(Note h)***

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	30	30%

(ii) ***Interests in underlying shares***

(1) **SCH**

Share options

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Mr. Gorges	Beneficial owner	18,000,000 <i>(Note i)</i>	0.99%
Ms. Cheung	Beneficial owner	18,000,000 <i>(Note i)</i>	0.99%
Ng Yuk Yeung, Paul	Beneficial owner	18,000,000 <i>(Note i)</i>	0.99%

(2) SCC

a) Warrants

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Mr. Ng	Interests of controlled corporations	396,641,357 (Note j)	14.96%

b) Share options

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Ms. Cheung	Beneficial owner	26,000,000 (Note k)	0.98%
Ng Yuk Yeung, Paul	Beneficial owner	26,000,000 (Note k)	0.98%

(3) SCL

a) Convertible Notes

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	10,666,666,666 (Note l)	2,105.96%

b) Share options

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Ng Yuk Yeung, Paul	Beneficial owner	5,000,000 (Note m)	0.99%

Notes:

- (a) Mr. Ng, through controlled corporations, together with Ms. Cheung and Mr. Gorges, had interests in 487,949,760 shares of SCH. In addition, Mr. Ng personally owned 71,652,200 shares of SCH and through companies wholly-owned and controlled by him, beneficially owned 784,579,852 shares of SCH. Therefore, Mr. Ng was deemed to have interest in a total of 1,344,181,812 shares of SCH, representing approximately 73.72% in the issued share capital of SCH. SCH held approximately 72.79% interest indirectly in the Company and approximately 74.78% interest indirectly in SCC respectively. SCC held approximately 68.58% interest indirectly in SCL.
- (b) By virtue of note (a) above, Mr. Ng was deemed to have interest in the shares or underlying shares in the Company held by certain wholly-owned subsidiaries of SCH.
- (c) These were warrants of the Company which entitled the holders thereof to subscribe at any time during the period from 23 October 2007 to 22 October 2008 (both days inclusive) for fully paid shares of the Company at an initial subscription price of HK\$0.168 per share (subject to adjustments).
- (d) Each of Mr. Gorges and Ms. Cheung was granted with share options to subscribe for 30,000,000 shares of the Company on 16 March 2006 at an exercise price of HK\$0.128 per share. Ms. Cheung had exercised the share options to subscribe for 10,000,000 shares of the Company. Ng Chun Sang was granted with share options to subscribe for 5,000,000 shares of the Company and 3,000,000 shares of the Company on 12 April 2007 and 17 April 2007 respectively, at an exercise price of HK\$0.161 per share. Ng Yuk Yeung, Paul was granted with share options to subscribe for 30,000,000 shares of the Company and 20,000,000 shares of the Company on 16 March 2006 and 26 April 2006 respectively, at an exercise price of HK\$0.128 per share. The exercise periods are as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant. The number of share options outstanding at the beginning and at the end of the period for the six months ended 30 June 2008 for each of Mr. Gorges, Ms. Cheung, Ng Chun Sang and Ng Yuk Yeung, Paul were 30,000,000, 20,000,000, 8,000,000 and 50,000,000 respectively.

- (e) By virtue of note (a), Mr. Ng was deemed to have interest in those shares of SCC held by certain wholly-owned subsidiaries of SCH.
- (f) By virtue of note (a), Mr. Ng was deemed to have interest in those shares of SCL held by certain wholly-owned subsidiaries of SCC.
- (g) SCFC was a 98.48% owned subsidiary of the Company.
- (h) Prime Prospects was a 70% owned subsidiary of SCC.
- (i) These share options were granted on 18 September 2007 at an exercise price of HK\$2.00 per share of SCH with exercise periods as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant. The number of share options outstanding at the beginning and at the end of the period for the six months ended 30 June 2008 for each director was 18,000,000.
- (j) These were warrants of SCC which entitled the holders thereof to subscribe at any time during the period from 7 September 2007 to 6 September 2010 (both days inclusive) for fully paid shares of SCC at an initial subscription price of HK\$0.40 per share (subject to adjustments). By virtue of note (a), Mr. Ng was deemed to have interest in those underlying shares held by certain wholly-owned subsidiaries of SCH.
- (k) These share options were granted on 18 September 2007 at an exercise price of HK\$1.50 per share of SCC with exercise periods as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant. The number of share options outstanding at the beginning and at the end of the period for the six months ended 30 June 2008 for each director was 26,000,000.
- (l) Two convertible notes were issued by SCL to a wholly-owned subsidiary of SCC with the rights to convert into 5,440,000,000 and 5,226,666,666 shares of SCL respectively at a conversion price of HK\$0.075 per share. By virtue of note (a), Mr. Ng was deemed to have interest in those underlying shares of SCL.
- (m) These share options were granted on 14 March 2007 at an exercise price of HK\$0.2166 per share of SCL with exercise periods as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant. The number of share options outstanding at the beginning and at the end of the period for the six months ended 30 June 2008 for the director was 5,000,000.
- (n) All interest disclosed above represented long position in the shares.

Save as disclosed above, none of the Directors or chief executives of the Company had registered, as at 30 June 2008, 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 which was 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.

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

As at 30 June 2008, the following persons, other than the Directors and chief executives of the Company, 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

Name of shareholder	Capacity	Number of shares	Approximate % of issued share capital	Number of underlying shares (Note)	Approximate % of issued share capital
SCH	Interest of controlled corporations	3,660,502,500	72.79%	679,350,500	13.51%

Note: These were warrants of the Company which entitled the holders thereof to subscribe at any time during the period from 23 October 2007 to 22 October 2008 (both days inclusive) for fully paid shares of the Company at an initial subscription price of HK\$0.168 per share (subject to adjustment).

Save as disclosed above, as at 30 June 2008, no person, other than the Directors or Chief Executives whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation", had registered any interests or short positions in the shares or underlying shares of the Company as recorded in the register which was required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's existing share option scheme ("Scheme") was adopted on 31 May 2002 and became effective 28 June 2002. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2008 were as follows:

Name or category of participant	Date of grant	Number of outstanding share options			Exercise period of share options	Exercise price per share HK\$
		As at 1 January 2008	Lapsed during the period	As at 30 June 2008		
Directors						
Ms. Cheung	16/03/2006	20,000,000	–	20,000,000	16/03/2008 – 15/03/2011	0.128
Mr. Gorges	16/03/2006	30,000,000	–	30,000,000	16/03/2007 – 15/03/2011	0.128
Ng Yuk Yeung, Paul	16/03/2006	30,000,000	–	30,000,000	16/03/2007 – 15/03/2011	0.128
	26/04/2006	20,000,000	–	20,000,000	26/04/2007 – 25/04/2011	0.128
Ng Chun Sang	12/04/2007	5,000,000	–	5,000,000	12/04/2008 – 11/04/2012	0.161
	17/04/2007	<u>3,000,000</u>	<u>–</u>	<u>3,000,000</u>	17/04/2008 – 16/04/2012	0.161
Sub-total		<u>108,000,000</u>	<u>–</u>	<u>108,000,000</u>		
Consultant						
In aggregate	10/07/2007	<u>3,000,000</u>	<u>–</u>	<u>3,000,000</u>	10/07/2008 – 09/07/2012	0.172
Sub-total		<u>3,000,000</u>	<u>–</u>	<u>3,000,000</u>		
Employees						
In aggregate	16/03/2006	63,500,000	–	63,500,000	16/03/2007 – 15/03/2011	0.128
	26/04/2006	20,000,000	–	20,000,000	26/04/2007 – 25/04/2011	0.128
	12/04/2007	76,250,000	5,750,000	70,500,000	12/04/2008 – 11/04/2012	0.161
	23/04/2007	4,000,000	–	4,000,000	23/04/2008 – 22/04/2012	0.161
	10/07/2007	14,500,000	–	14,500,000	10/07/2008 – 09/07/2012	0.172
	10/09/2007	6,000,000	–	6,000,000	10/09/2008 – 09/09/2012	0.227
	17/10/2007	<u>24,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	17/10/2008 – 16/10/2012	0.227
Sub-total		<u>208,250,000</u>	<u>17,750,000</u>	<u>190,500,000</u>		
Total		<u><u>319,250,000</u></u>	<u><u>17,750,000</u></u>	<u><u>301,500,000</u></u>		

All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

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

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

No share options have been granted, exercised or cancelled during the six months ended 30 June 2008.

The Group recognized a share option expense of HK\$2,687,259 (2007: HK\$5,561,038) during the period ended 30 June 2008.

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

During the period ended 30 June 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2008.

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.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Mr. Tung Woon Cheung, Eric (Chairman of the audit committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin, Elizabeth.

The Group's unaudited results for the six months ended 30 June 2008 have been reviewed by the audit committee.

On behalf of the Board
Ng Hung Sang
Chairman

Hong Kong, 23 September 2008

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.