SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

UNAUDITED INTERIM RESULTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**2,197,665**	1,773,514
Cost of sales		**(1,916,142)**	(1,625,261)
Gross profit		**281,523**	148,253
Other operating income		**10,887**	13,547
Selling and distribution costs		**(39,480)**	(43,955)
Administrative expenses		**(249,019)**	(202,831)
Reversal of impairment of trade and loans receivable		**1,385**	–
Fair value gain/(loss) on financial assets at fair value through profit or loss		**13,629**	(6,543)
Fair value gains on investment properties		**20,000**	–
Gain on disposal of available-for-sale financial assets		**82,326**	1,618
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**	–
Gain on dilution of subsidiary		**–**	3,633
Profit from operations	*2&4*	**480,645**	147,028
Finance costs		**(19,144)**	(13,048)
Share of profits and losses of associates		**170,292**	(2,769)
Profit before tax		**631,793**	131,211
Tax	*5*	**(8,510)**	(3,874)
Profit for the period		**623,283**	127,337
Attributable to:			
Equity holders of the Company		**466,603**	96,786
Minority interests		**156,680**	30,551
		623,283	127,337
Dividend			
Interim	*6*	**25,528**	–
Basic earnings per share attributable to equity holders of the Company	*7*	**HK25.59 cent**	HK5.31 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2007** **Unaudited** ***HK$'000***	31 December 2006 Audited *HK$'000*
Non-current assets			
Property, plant and equipment		**322,887**	364,321
Investment properties		**1,004,574**	950,618
Prepaid land lease payments		**24,094**	30,955
Construction in progress	*8*	**24,335**	208,737
Convertible note	*8*	**408,000**	–
Interests in associates	*9*	**537,927**	310,762
Goodwill and intangible assets		**8,708**	22,281
Biological assets		**65,000**	65,000
Deferred tax assets		**6,610**	9,776
Loans receivable	*10*	**7,657**	5,979
Available-for-sale financial assets		**20,941**	60,202
Other non-current assets		**47,091**	47,458
Total non-current assets		**2,477,824**	2,076,089
Current assets			
Inventories		**384,778**	361,283
Loans receivable	*10*	**1,212,869**	207,726
Trade and other receivables	*11*	**836,387**	521,019
Financial assets at fair value through profit or loss		**148,074**	132,496
Due from related companies		**1,058**	306
Advance to minority shareholders of subsidiaries		**1,440**	14,403
Tax recoverable		**8,280**	12,960
Pledged bank deposits		**18,330**	17,630
Cash held on behalf of clients		**489,853**	363,372
Cash and cash equivalent		**387,388**	365,891
		3,488,457	1,997,086
Non-current assets classified as held for sale		**96,924**	53,300
Total current assets		**3,585,381**	2,050,386
Current liabilities			
Client deposits		**506,615**	359,586
Trade and other payables	*12*	**1,157,648**	980,840
Interest-bearing bank and other borrowings	*13*	**1,624,705**	578,798
Due to related companies		**228**	62
Tax payable		**29,944**	35,785
Total current liabilities		**3,319,140**	1,955,071
Net current assets		**266,241**	95,315
Total assets less current liabilities		**2,744,065**	2,171,404

	Notes	30 June 2007 Unaudited HK$'000	31 December 2006 Audited HK$'000
Non-current liabilities			
Interest-bearing bank and other borrowings		**101,368**	188,539
Advances from shareholders		**17,076**	21,896
Advances from minority shareholders of subsidiaries		**60,079**	53,249
Provision for severance payment		**32,313**	32,601
Deferred tax liabilities		**144,207**	139,755
Other financial liabilities	8	**72,992**	–
Total non-current liabilities		**428,035**	436,040
Net assets		**2,316,030**	1,735,364
Equity			
Issued capital		**45,584**	45,584
Reserves		**1,626,015**	1,148,310
Equity attributable to equity holders of the Company		**1,671,599**	1,193,894
Minority interests		**644,431**	541,470
Total equity		**2,316,030**	1,735,364

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. Accounting policies

The unaudited condensed interim financial statements ("interim financial statements") have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities ("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 anytime 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 (loss) 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	**847,517**	630,557	**12,304**	(37,974)
Property investment and development	**20,043**	6,648	**32,167**	8,373
Travel and related services	**1,087,516**	917,963	**17,391**	11,308
Securities and financial services	**120,797**	78,393	**43,796**	9,069
Media and publications	**93,292**	98,621	**(21,522)**	(47,607)
Information and technology	**27,550**	39,984	**(2,407)**	(4,398)
Agriculture	**950**	882	**(2,550)**	(2,374)
Investment holding	**–**	466	**401,466**	210,631
	2,197,665	1,773,514	**480,645**	147,028
By geographical location#:				
The People's Republic of China ("PRC", including Hong Kong and Macau)	**1,421,906**	1,220,386	**466,317**	190,953
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)
	2,197,665	1,773,514	**480,645**	147,028

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$27,463,000 (six months ended 30 June 2006: HK$28,880,000) in respect of the Group's property, plant and equipment.

5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. 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, interpretations and practices in respect thereof.

6. Interim dividend

The Board declared the payment of an interim dividend of HK1.4 cent per ordinary share, totalling HK$25,528,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

7. Basic earnings per share attributable to 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$466,603,000 (six months ended 30 June 2006: HK$96,786,000) and on 1,823,401,376 shares (six months ended 30 June 2006: 1,823,401,376 shares) in issue during the period.

Diluted earnings per share is not shown, as there is no dilution effect 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 GEM Board of the Stock Exchange. 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 Group 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 affiliated company indirectly held by the Company and details are as follows:

Name of affiliated company	**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 affiliated company. 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	1,696,203
Liabilities	(1,476,356)

10. Loans receivable

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

11. Trade receivables

Trade receivables of approximately HK$664,966,000 (31 December 2006: HK$379,024,000) are stated net of impairment for trade receivables, substantially with an aging within 6 months.

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.

12. Trade payables

Trade payables of approximately HK$807,160,000 (31 December 2006: HK$684,948,000) are substantially with an aging within 6 months.

13. Interest-bearing bank and other borrowings

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK$2.2 billion and profit for the period of HK$623.3 million, representing an increase of approximately 24% in turnover, and approximately 4 times the profit as compared to the corresponding period in 2006.

Trading and Manufacturing

The segment recorded a 34% growth in turnover to HK$847.5 million and a profit of HK$12.3 million as compared to a loss of HK$38.0 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 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$12.2 million and a revaluation gain of HK$20.0 million. Most of our investment properties had double-digit growth in rental income on renewal of tenancies, in particular for some quality commercial units.

Rental income rose 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 done 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, 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.

Securities and Financial Services

The securities and financial services segment reported substantial increase in turnover to HK$120.8 million and a profit of HK$43.8 million, representing 54% and 4 times growth in turnover and profit respectively.

Commission income from securities and commodities broking as well as margin financing activities benefited from high trading volume of daily stock turnover. The money lending personal loan business also improved steadily with lower delinquency rate amidst stable economy.

During the period, the Group recognised gain on disposal of available-for-sale financial assets and fair value gain on overall financial assets at fair value through profit and loss of HK$82.3 million and HK$13.6 million respectively.

Media and Publications

Consistent efforts have been made in terms of divesting several loss making magazines and tightening cost measures in both Hong Kong and the PRC in order to reduce the loss from our media arm. As a result, turnover dropped slightly from HK$98.6 million to HK$93.2 million while loss cut down from HK$47.6 million to HK$21.5 million as compared with the same period last year.

Information and Technology

For IT segment, the same efforts as for our media operations 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 $4.4 million for the corresponding period in 2006 to $2.4 million in the period under review.

Agriculture

The agriculture 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group had a current ratio of 1.08 and a gearing ratio of 4.4% (31 December 2006: 1.05 and 10.9% respectively). The gearing ratio is computed on comparing the Group's total long-term bank and other borrowings of HK$101.4 million to total equity of HK$2,316.0 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

On 5 September 2007, South China (China) Limited ("SCC", formerly known as South China Industries Limited, a 74.79% owned subsidiary of the Company with its shares listed on the Main Board of Stock Exchange), issued 530,334,742 bonus warrants ("Warrants") which entitle the holders to subscribe in cash for ordinary shares of HK$0.02 each in SCC at a subscription price of HK$0.40 per share (subject to adjustment) and are exerciseable on or before 6 September 2010. The Warrants are issued to the shareholders of SCC whose names appear on the register of members of SCC on 29 August 2007 on the basis of one Warrant for every five ordinary shares of SCC held.

Save for the above, the Group had no debt securities or other capital instruments as at 30 June 2007 and as at the date of this announcement.

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 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, 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 anytime 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, CONTINGENT LIABILITIES AND COMMITMENTS**". 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 Company through its wholly owned subsidiaries acquired from SCC the entire of its interest in travel and information technology businesses at a consideration of HK$122.1 million. In exchange, the Company through its wholly owned subsidiaries disposed of its entire interest in certain investment properties located in Hong Kong and the berths and membership debentures of a golf and country club at Sai Kung, Hong Kong to SCC at the same amount of consideration of HK$122.1 million. Details of the transactions were set out in the circular of the Company dated 25 July 2007.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

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 recent published annual report.

EMPLOYEES

As at 30 June 2007, the total number of employees of the Group was approximately 29,050. 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 conditions for 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 leading to 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, we are also 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 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 in the second half of this year.

The Group is still actively seeking appropriate land parcels in Tianjin-Bohai, Chongqing, Shenyang and other rapid development 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.

Securities and Financial Services

We expect the broking business will remain strong in the second half of the year with the Central government policy to allow the Mainlanders to invest in the Hong Kong stock market. We strive to explore more business opportunities in the PRC market and to pursue acquisitions in the coming year as suitable opportunities arise.

Media and Publications

Management will continue to focus the performance of individual magazines, enhance their contents and income while monitoring cost controls consciously. We will be looking to achieve breakeven for the whole of the second half year.

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.

INTERIM DIVIDEND

The Board declared an interim dividend of HK1.4 cent (2006: Nil) per share, totalling approximately HK$25,527,619 (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 23 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 of Room 1803 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 10 October 2007.

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. Cheng Hong Kei (Committee Chairman), Mr. David John Blackett and Mrs. Tse Wong Siu Yin, Elizabeth and one non-executive director namely Mr. David Michael Norman.

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.

On behalf of the Board
Ng Hung Sang
Chairman

Hong Kong, 5 September 2007

As at the date of this announcement, 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) Mr. David Michael Norman and Ms. Ng Yuk Mui, Jessica as non-executive directors; and (3) Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei as independent non-executive directors.