



SHANG HUA HOLDINGS LIMITED

上華控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 371)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

The board of directors (the “Board”) of Shang Hua Holdings Limited (the “Company”) presents herewith the unaudited condensed consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 31 December 2007, together with the comparative figures for the corresponding period in 2006. The condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2007

| | | Six months ended 31 December | |
|--|--------------|---|--------------------|
| | <i>Notes</i> | 2007 | 2006 |
| | | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| | | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Turnover | 3 | 10,956 | 8,343 |
| Cost of sales | | (10,722) | (8,235) |
| Gross profit | | 234 | 108 |
| Other operation income | | 1,663 | 723 |
| Other revenue | | 1,049 | – |
| Distribution costs | | – | – |
| Administrative expenses | | (2,857) | (1,917) |
| Fair value changes on financial assets at fair value through profit or loss | | (1,989) | 7 |
| Loss from operations | | (1,900) | (1,079) |
| Finance costs | | (2,343) | (10) |
| Loss before taxation | | (4,243) | (1,089) |
| Taxation/Income tax credit | | (76) | 51 |
| Loss for the period to equity holders of the Company | | (4,319) | (1,038) |
| Loss per ordinary share - basic | 7 | (5.19 cents) | (1.25 cents) |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2007

| | <i>Notes</i> | 31 December 2007 <i>(Unaudited)</i> HK\$'000 | 30 June 2007 <i>(Audited)</i> HK\$'000 |
|--|--------------|--|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | <u>68</u> | <u>71</u> |
| Current assets | | | |
| Trade and other receivables | 8 | 18,763 | 2,251 |
| Financial assets at fair value through profit and loss | | 18,978 | 431 |
| Pledged bank deposits | 9 | 150 | 75 |
| Bank balances and cash | | <u>92,210</u> | <u>29,287</u> |
| | | <u>130,101</u> | <u>32,044</u> |
| Total assets | | <u>130,169</u> | <u>32,115</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | <u>274</u> | <u>679</u> |
| Net current assets | | <u>129,827</u> | <u>31,356</u> |
| Total assets less current liabilities | | <u>129,895</u> | <u>31,436</u> |
| Non-current liabilities | | | |
| Convertible bond | 11 | <u>85,044</u> | <u>–</u> |
| Total liabilities | | <u>85,318</u> | <u>679</u> |
| Net assets | | <u>44,851</u> | <u>31,436</u> |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | 12 | 8,328 | 8,328 |
| Reserves | | <u>36,523</u> | <u>23,108</u> |
| Total equity | | <u>44,851</u> | <u>31,436</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2007 (Unaudited)

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements, except for the accounting policy changes are expected to be reflected in the 2007 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of this report are consistent with those used in the annual financial statements for the year ended 30 June 2007.

The following new standards, amendments to standards and interpretations issued by HKICPA are applicable for the year ending 31 December 2008.

| | |
|--------------------|--|
| HKSA 1 (Revised) | Presentation of Financial Statements ¹ |
| HKAS 23 (Revised) | Borrowing Costs ¹ |
| HKFRS 8 | Operating Segments ¹ |
| HK(IFRIC) – INT 12 | Service Concession Arrangements ² |
| HK(IFRIC) – INT 13 | Customer Loyalty Programmes ³ |
| HK(IFRIC) – INT 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ² |

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.

3. SEGMENTAL INFORMATION

The Group's primary format for reporting segment information is geographical segments.

Six months ended 31 December 2007 (unaudited)

| | Hong Kong <i>HK\$'000</i> | The People's Republic of China (the "PRC") <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|------------------------------|--|---------------------------------|
| TURNOVER | | | |
| External sales | <u>10,956</u> | <u>–</u> | <u>10,956</u> |
| SEGMENT RESULT | <u>234</u> | <u>–</u> | <u>234</u> |
| Other operating income | | | 1,663 |
| Other revenue | | | 1,049 |
| General and administrative expenses | | | (2,857) |
| Fair value changes on financial assets at fair value through profit and loss | | | <u>(1,989)</u> |
| Loss from operations | | | <u>(1,900)</u> |
| Finance costs | | | <u>(2,343)</u> |
| Loss before taxation | | | <u>(4,243)</u> |
| Taxation | | (76) | <u>(76)</u> |
| Loss for the period | | | <u><u>(4,319)</u></u> |

3. SEGMENTAL INFORMATION *(continued)*
Six months ended 31 December 2006 (unaudited)

| | Hong Kong <i>HK\$'000</i> | The PRC <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|------------------------------|----------------------------|---------------------------------|
| TURNOVER | | | |
| External sales | 6,387 | 1,956 | 8,343 |
| | <u>6,387</u> | <u>1,956</u> | <u>8,343</u> |
| SEGMENT RESULT | 51 | 57 | 108 |
| | <u>51</u> | <u>57</u> | |
| Other operating income | | | 723 |
| Other revenue | | | – |
| General and administrative expenses | | | (1,917) |
| Fair value changes on financial assets at fair value through profit and loss | | | 7 |
| | | | <u>7</u> |
| Loss from operations | | | (1,079) |
| Finance costs | | | (10) |
| | | | <u>(10)</u> |
| Loss before taxation | | | (1,089) |
| Income tax credit | | 51 | 51 |
| | | | <u>51</u> |
| Loss for the period | | | <u>(1,038)</u> |

4. LOSS BEFORE TAXATION

Loss before taxation for the period has been arrived at after charging/(crediting):

| | Six months ended | |
|--|-------------------------|-------------------------|
| | 31 December 2007 | 31 December 2006 |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Depreciation of property, plant and equipment | 20 | 21 |
| Interest income | (1,164) | (538) |
| Fair value changes on financial assets at fair value through profit or loss | 1,989 | (7) |
| | <u>1,989</u> | <u>(7)</u> |

5. TAXATION

No provision for Hong Kong Profits Tax and PRC enterprise income tax have been made in the financial statements as the Group's operations in both Hong Kong and PRC incurred tax loss for the period.

6. INTERIM DIVIDEND

No dividends were paid during the period. The Board does not recommend the payment of an interim dividend (for the six months ended 31 December 2006: Nil).

7. LOSS PER ORDINARY SHARE

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$4,319,000 (six months ended 31 December 2006: HK\$1,038,000) and on the weighted average number of ordinary shares of 83,285,449 (six months ended 31 December 2006: 83,285,449).

Diluted loss per share has not presented, as there are no dilutive potential ordinary shares in issue for both periods.

8. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30-60 days to its trade customers.

An aged analysis of trade and other receivables is as follows:

| | 31 December 2007 <i>(Unaudited)</i> <i>HK\$'000</i> | 30 June 2007 <i>(Audited)</i> <i>HK\$'000</i> |
|--------------------------|--|---|
| Trade receivables | | |
| 0-30 days | 7,568 | 2,104 |
| 31-60 days | – | – |
| Over 60 days | – | – |
| | <hr/> | <hr/> |
| | 7,568 | 2,104 |
| Deposits and prepayments | 11,195 | 147 |
| | <hr/> | <hr/> |
| | 18,763 | 2,251 |
| | <hr/> <hr/> | <hr/> <hr/> |

9. PLEDGE OF ASSETS

As at 31 December 2007, the Group pledged bank deposit of approximately HK\$150,000 (2006: HK\$75,000), which carry fixed interest rate of 1.4% to secure general banking facilities granted to a subsidiary.

10. TRADE AND OTHER PAYABLES

An aged analysis of trade and other payables is as follows:

| | 31 December 2007 <i>(Unaudited)</i> <i>HK\$'000</i> | 30 June 2007 <i>(Audited)</i> <i>HK\$'000</i> |
|------------------------------------|--|---|
| Trade payables | | |
| 0-30 days | – | – |
| 31-60 days | – | – |
| Over 60 days | – | 313 |
| | <hr/> | <hr/> |
| | – | 313 |
| Other payables and accrued charges | 274 | 366 |
| | <hr/> | <hr/> |
| | 274 | 679 |
| | <hr/> <hr/> | <hr/> <hr/> |

11 CONVERTIBLE BOND

| | 31 December 2007 <i>(Unaudited)</i> HK\$'000 | 30 June 2007 <i>(Audited)</i> HK\$'000 |
|---------------------------------------|--|---|
| Fair value of convertible bond issued | 100,000 | – |
| Equity component | (17,276) | – |
| Liability component | 82,724 | – |
| Interest expenses charged | 2,320 | – |
| Amortised cost at 31 December 2007 | 85,044 | – |

Pursuant to the convertible bond subscription agreement dated 12 April 2007 entered into between the Company and Pioneer Wealth Limited, the Company agreed to conditionally issue to Pioneer Wealth Limited the aggregate principal amount of HK\$200,000,000 (the “Bond”) comprising Tranche 1 Bond of principal amount of HK\$100,000,000 and Tranche 2 Bond of principal amount of HK\$100,000,000 which will be settled by cash on their respective issue dates. The Bond does not bear any interest. The relevant details have been disclosed in the circular of the Company dated 3 May 2007.

On 27 July 2007, the Company issued the Tranche 1 Bond with aggregate principal amount of HK\$100,000,000 to Pioneer Wealth Limited. The Tranche 1 Bond does not bear any interest and its maturity date is the third anniversary of the date of issue of the Tranche 1 Bond and its initial conversion price is set initially as HK\$0.40 per share in the Company and subject to adjustments.

The fair value of the liability component, included in current liabilities, was calculated using a market interest rate for an equivalent non-convertible bond. The remaining balance represented the equity conversion component, is included in shareholders’ equity named as convertible bond reserve.

12. SHARE CAPITAL

| | 31 December 2007 <i>(Unaudited)</i> HK\$'000 | 30 June 2007 <i>(Audited)</i> HK\$'000 |
|--|--|---|
| Authorised: | | |
| 1,500,000,000 ordinary shares of HK\$0.10 each | 150,000 | 150,000 |
| | 31 December 2007 <i>(Unaudited)</i> HK\$000 | 30 June 2007 <i>(Audited)</i> HK'000 |
| Issued and fully paid: | | |
| 83,285,449 ordinary shares of HK\$0.10 each | 8,328 | 8,328 |

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL

The principal activity of the Company continues to be investment holding. The principal activities of the Company's subsidiaries include: trading to computer related products and the trading of listed securities.

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the interim report.

RESULTS

Turnover of the Group for the six months ended 31 December 2007 was approximately HK\$10,956,000 representing increase of approximately 31.25% over the corresponding period in 2006. Loss for the period amounted to approximately HK\$4,319,000.

INTERIM DIVIDEND

The Board had resolved not recommend the payment of an interim dividend for the six months ended 31 December 2007.

BUSINESS REVIEW AND PROSPECTS

There is keen competition in the market of computer consumer products and gross profit margin has increased from 1.29% to 2.14% compared to the corresponding period in 2006.

The Group will progressively reduce its reliance on its existing principal business of trading of computers and related products. The Group will focus on water treatment and environmental business. Yet, the Company does not intend to dispose of the existing computer business. It is expected that with the proposed business diversification, the contribution from the computer business to the Group would become less material. For its expansion into the water treatment and environmental business, the Company will pursue possible acquisition and consider other opportunities in the sector as and when they arise. The Group will be the platform for investment in and development of water treatment and environmental business.

FINANCIAL HIGHLIGHT

As at 31 December 2007, the bank and cash balances were totaling approximately HK\$92,210,000. The current ratio was about 475 times with the net current assets amounting to HK\$129,827,000. Basically, its own liquid resources financed all business activities of the Company. The gearing ratio increased from approximately zero (as nil borrowing outstanding by the Company) as at 30 June 2007 to approximately 1.9 times (as derived from approximately HK\$85 million borrowing of the Company divided by approximately HK\$44.9 million equity of the Company) as at 31 December 2007. It was entirely due to the issuance of the convertible bond of HK\$100 million on 27 July 2007. The Group has little exposure to foreign exchange fluctuations as most of its assets are in Hong Kong dollars. As at 31 December 2007 the Group was only liable to the borrowing from the convertible bond and pledged approximately HK\$150,000 deposit to bank to facilitate the Group's daily operation.

Pursuant to the convertible bond subscription agreement dated 12 April 2007 entered into between the Company and Pioneer Wealth Limited, the Company agreed to conditionally issue to Pioneer Wealth Limited the aggregate principal amount of HK\$200,000,000 (the "Bond) comprising Tranche 1 Bond of principal amount of HK\$100,000,000 and Tranche 2 Bond of principal amount of HK\$100,000,000 which will be settled by cash on their respective issue dates. The Bond does not bear any interest. The relevant details have been disclosed in the circular of the Company dated 3 May 2007.

On 27 July 2007, the Company issued the Tranche 1 Bond with aggregate principal amount of HK\$100,000,000 to Pioneer Wealth Limited. The Tranche 1 Bond does not bear any interest and its maturity date is the third anniversary of the date of issue of the Tranche 1 Bond and its initial conversion price is set initially as HK\$0.40 per share in the Company and subject to adjustments.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the total assets and net assets of the Group were HK\$130,169,000 (30 June 2007:HK\$32,115,000) and HK\$44,851,000 (30 June 2007:HK\$31,436,000) respectively, representing an increase of 305% and an increase of 42.5% respectively as compared with corresponding period last year.

As at 31 December 2007, the Group had cash and deposits in banks total approximately HK\$92,210,000 (30 June 2007: HK\$29,287,000) representing an increase of HK\$62,923,000 compared with 30 June 2007. The Group's net current assets were HK\$129,827,000 (30 June 2007: HK\$31,356,000), representing an increase of HK\$98,471,000 as compared with 30 June 2007.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group employed approximately 18 employees (including the directors). 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. During the period under review, no share option were granted or exercised.

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

During the six months ended 31 December 2007, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 31 December 2007, 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") as set out in Appendix 14 of the Listing Rules during the period under review, except for the following deviation:

CODE PROVISION A.4.1

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 Bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for securities transaction as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. Following specific enquiry, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the period under review.

REMUNERATION COMMITTEE

The remuneration Committee of the Company was established, with specific terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. It comprises three independent non-executive directors of the Company. The Committee is responsible for making recommendations to the Board on the Company's policy and packages of employment for the Directors.

AUDIT COMMITTEE

The Audit Committee of the Company was established in accordance with the requirements of the CG Code as set out in Appendix 14 of the Listing Rules. It comprises three independent non-executive directors of the Company to review on matters regarding internal controls and financial reporting of the Group, including

review of the unaudited condensed consolidated financial statements for the six months ended 31 December 2007.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is required by paragraphs 46(1) to 46(6) of Appendix 16 of Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) at www.hkexnews.hk and on the website of the Company at www.shanghua.com.hk in due course. The interim report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the website of the Company at www.shanghua.com.hk in due course.

On behalf of the Board
Huang Flynn Xuxian
Chairman

Hong Kong, 28 March 2008

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr Huang Flynn Xuxian, Mr Chase J Wong, Mr Liu Kai and Mr E Meng and three independent non-executive Directors, namely, Mr Shea Chun Lok, Quadrant, Mr Chan Wai Kwong, Peter and Mr So Kwok Keung.

* *For identification purpose only*