



Interim Report 2007

Signal Media and Communications Holdings Limited
烽火傳媒控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[Stock Code : 2362]

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CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30 June 2007*

		For the six months ended 30 June	
		2007	2006
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	3	24,686	1,935
Cost of sales		<u>(10,512)</u>	<u>(890)</u>
Gross profit		14,174	1,045
Other income and gain		3,306	4,361
Selling and distribution expenses		(5,882)	–
Administrative and other operating expenses		(19,562)	(20,255)
Finance costs	4	<u>(1,748)</u>	<u>(1,902)</u>
LOSS BEFORE TAX	5	(9,712)	(16,751)
Tax	6	<u>(1,109)</u>	<u>(100)</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>(10,821)</u>	<u>(16,851)</u>
DIVIDENDS			
Proposed interim	7	<u>–</u>	<u>–</u>
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8		
Basic:			
For loss for the period		<u>0.37 cents</u>	<u>0.88 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

		30 June	31 December
		2007	2006
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	73,195	27,795
Investment properties		45,905	45,905
Prepaid land lease payments		10,370	9,378
Goodwill		155,757	19,493
Intangible assets		–	–
Available-for-sale investments	10	212,260	212,140
Deferred tax assets		61	61
Pledged deposits		7,000	7,000
		<hr/>	<hr/>
Total non-current assets		504,548	321,772
CURRENT ASSETS			
Inventories		24,884	–
Trade receivables	11	11,097	1,370
Prepayments, deposits and other receivables		45,773	47,037
Loan and receivable		24,672	11,672
Tax recoverable		671	494
Cash and cash equivalents		82,553	111,507
		<hr/>	<hr/>
Total current assets		189,650	172,080
CURRENT LIABILITIES			
Trade payables	12	10,896	1,229
Other payables and accruals		39,751	8,084
Interest-bearing bank borrowings		19,237	189
Finance lease payable		632	–
Tax payable		902	600
		<hr/>	<hr/>
Total current liabilities		71,418	10,102
		<hr/>	<hr/>
NET CURRENT ASSETS		118,232	161,978
		<hr/>	<hr/>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		622,780	483,750
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)**30 June 2007*

	30 June	31 December
	2007	2006
	(Unaudited)	(Audited)
<i>Notes</i>	HK\$'000	HK\$'000
TOTAL ASSETS LESS		
CURRENT LIABILITIES	622,780	483,750
NON-CURRENT LIABILITIES		
Finance lease payable	390	–
Provision for long service payment	656	–
Convertible bonds	46,331	44,838
Total non-current liabilities	47,377	44,838
Net assets	575,403	438,912
EQUITY		
Issued capital	167,865	134,365
Equity component of convertible bonds	8,957	8,957
Reserves	398,581	295,590
Total equity	575,403	438,912

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Issued capital	Equity component of			Available- for-sale		Reserve funds	Exchange		Retained profits	Total
		Share premium account	convertible bonds	Warrant reserve	Share option reserve	investment reserve		Contributed surplus	fluctuation reserve		
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2006	84,993	72,657	8,957	-	8,018	-	7,321	73	(36)	46,765	228,748
Issue of shares for acquisition of a subsidiary	1,422	7,111	-	-	-	-	-	-	-	-	8,533
Issue of shares	47,950	143,850	-	-	-	-	-	-	-	-	191,800
Loss for the period	-	-	-	-	-	-	-	-	-	(16,851)	(16,851)
At 30 June 2006	134,365	223,618	8,957	-	8,018	-	7,321	73	(36)	29,914	412,230
At 1 January 2007	134,365	221,428	8,957	45,640	5,831	264	7,321	73	5,430	9,603	438,912
Issue of shares for acquisition of a subsidiary	33,500	113,900	-	-	-	-	-	-	-	-	147,400
Exchange realignment	-	-	-	-	-	-	-	-	(88)	-	(88)
Loss for the period	-	-	-	-	-	-	-	-	-	(10,821)	(10,821)
At 30 June 2007	167,865	335,328	8,957	45,640	5,831	264	7,321	73	5,342	(1,218)	575,403

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2007*

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	(1,396)	(11,972)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	(30,822)	(113,297)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(84)	191,800
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(32,302)	66,531
Cash and cash equivalents at beginning of period	111,318	180,081
CASH AND CASH EQUIVALENTS AT END OF PERIOD	79,016	246,612
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	22,816	25,206
Non-pledged time deposits with original maturity of less than three months when acquired	59,737	221,864
Bank overdrafts	(3,537)	(458)
	79,016	246,612

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2007

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for investment properties and certain financial instruments which are measured at fair values at initial recognition.

The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006 except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations).

Significant accounting policy newly adopted by the Group

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, subcontracting charges and, where applicable, an appropriate proportion of production overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Impact of new and revised HKFRSs

The following new standards, amendments and interpretations are effective for the current period. The directors of the Company anticipate that the adoption of these new standards, amendments and interpretations have no material impact on the results of operations and financial position of the Group for the current or prior accounting periods.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying for Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

Impact of issued but not yet effective HKFRSs

The Group has not early adopted the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ³
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁴
HK(IFRIC)-Int 12	Service Concessions Arrangements ⁵

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

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 November 2006.

⁴ Effective for annual periods beginning on or after 1 March 2007.

⁵ Effective for annual periods beginning on or after 1 January 2008.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the development and distribution of solvent pesticides segment;
- (b) the property investment segment invests in restricted and commercial properties in Mainland China for rental income purposes;
- (c) the financial public relation service segment; and
- (d) the manufacture and trading of cosmetic and related products and provision of beauty technical and tutoring services.

Intersegment transactions are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following table presents revenue and results for the Group's business segments for the six months ended 30 June 2007 and 2006.

	Development and distribution of solvent pesticides		Property investment		Financial public relation service		Manufacture and trading of cosmetic and related products and provision of beauty technical and tutoring services		Elimination		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	-	-	746	500	5,521	1,935	19,165	-	-	-	25,432	2,435
Intersegment sales	-	-	-	-	902	109	-	-	(902)	(109)	-	-
Other income and gain	-	-	-	-	-	-	303	-	-	-	303	-
Total	-	-	746	500	6,423	2,044	19,468	-	(902)	(109)	25,735	2,435
Segment results	-	(2,849)	(1,071)	131	(579)	22	(94)	-	-	-	(1,744)	(2,696)
Interest and unallocated other income											2,257	3,861
Unallocated expenses											(8,477)	(16,014)
Finance costs											(1,748)	(1,902)
Loss before tax											(9,712)	(16,751)
Tax											(1,109)	(100)
Loss for the period attributable to equity holders of the Company											(10,821)	(16,851)
Other information:												
Depreciation	1,097	1,860	-	-	58	-	902	-	-	-	2,057	1,860
Recognition of prepaid land lease payments	323	295	-	-	-	-	6	-	-	-	329	295

4. FINANCE COSTS

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on interest-bearing bank borrowings	249	1,902
Interest on finance lease	6	–
Interest on convertible bonds	1,493	–
	<u>1,748</u>	<u>1,902</u>

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	2,057	1,860
Recognition of prepaid land lease payments	329	295
Inventory write-off	182	–
Bank interest income	(1,719)	(3,861)
	<u>(1,719)</u>	<u>(3,861)</u>

6. TAX

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Mainland China:		
Tax charge for the period	<u>1,109</u>	<u>100</u>

Pursuant to relevant laws and regulations in the PRC, the Company's subsidiaries are entitled to exemption from income tax under certain tax holidays and concessions. Income tax was calculated at rates given under the concessions.

7. DIVIDENDS

The directors do not recommend the payment of any interim dividends (six months ended 30 June 2006: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss:		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	10,821	16,851
Number of shares:		
Weighted average number of ordinary shares in issue during the period for used in the basic loss per share calculation	2,914,296,485	1,907,526,874

Diluted loss per share amounts for the six months ended 30 June 2007 and 2006 have not been disclosed, as warrants, share options and convertible bonds outstanding during the periods had an anti-dilutive effect on the basic loss per share.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group has spent approximately HK\$1,924,000 on acquisition of property, plant and equipment.

10. AVAILABLE-FOR-SALE INVESTMENTS

The amounts mainly represented the Group's 8.7% and 6.4% equity interests in Sociedade de Investimento Imobiliario Pun Keng Van, S.A.R.L. ("Macau Co.,") and LCF Macau Co-Investor L.P. (the "LCF Macau"), respectively. Macau Co., is a company incorporated in Macau with limited liability and is engaged in the business of property holding and its core asset represented a bare land located at Baia de Praia Grande, Macau for residential development. LCF Macau is a limited partnership formed under the Partnership Act 1996 of the British Virgin Islands and is principally engaged in property investment. The principal asset held by LCF Macau is a 3.85% equity interest in Baia de Nossa Senhora da Esperanca Real Estate Development Company Limited, a limited liability company incorporated in Macau, which has an interest in a piece of land situated at Baia de Nossa Senhora da Esperanca. They were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

11. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit period granted to customers generally ranges from one to three months. The Group maintains strict credit control over its customers and outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing and the carrying amounts of the trade receivables approximate to their fair values.

An aged analysis of the trade receivables, net of impairment loss, as at the balance sheet dates, based on invoice date, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current to 3 months	9,746	828
4 to 6 months	350	81
7 to 12 months	527	442
Over 1 year	474	19
	<u>11,097</u>	<u>1,370</u>

12. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet dates, based on invoice date, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current to 3 months	9,013	1,032
4 to 6 months	1,058	10
7 to 12 months	563	12
Over 1 year	262	175
	<u>10,896</u>	<u>1,229</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the trade payables approximate to their fair values.

13. SHARE CAPITAL

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.05 each	500,000	500,000
Issued and fully paid:		
3,357,301,949 (2006: 2,687,301,949) ordinary shares of HK\$0.05 each	167,865	134,365

A summary of the transaction during the period with reference to the change in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2006	2,687,301,949	134,365	221,428	355,793
Issue of new shares for acquisition of a subsidiary (note (a))	670,000,000	33,500	113,900	147,400
At 30 June 2007	3,357,301,949	167,865	335,328	503,193

Note:

- (a) On 14 February 2007, the Group entered into a sale and purchase agreement with Ambleside Associates Limited ("Ambleside") to acquire the entire issued share capital of CMM International Group Limited ("CMM") at consideration of HK\$100,000,000. The consideration was to be satisfied as to HK\$33,000,000 by cash and HK\$67,000,000 by allotting and issuing 670,000,000 new Company's shares to Ambleside, credited as fully paid.

On 30 April 2007, the acquisition of CMM was completed and 670,000,000 shares were issued and allotted in accordance with the share and purchase agreement at a fair value of HK\$0.22 per share, giving rise to a share premium of HK\$113,900,000. The new shares issued rank pari passu in all aspects with the then existing shares.

14. BUSINESS COMBINATION

During the period, the Group acquired the entire issued share capital of CMM. The fair value of the acquired identifiable assets and liabilities at the date of acquisition is:

	Fair value recognised on acquisition <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
Property, plant and equipment	45,533	34,711
Prepaid land lease payments	1,360	1,360
Available-for-sale investment	60	60
Trade receivables	10,260	10,260
Prepayment, deposits and other receivables	6,354	6,354
Inventories	23,381	23,381
Cash and bank balances	17,449	17,449
Trade payables	(8,744)	(8,744)
Other payables and accruals	(20,623)	(20,623)
Interest-bearing bank borrowings	(15,700)	(15,700)
Bank overdrafts	(2,006)	(2,006)
Finance lease payables	(1,106)	(1,106)
Tax payable	(1,426)	(1,426)
Deposit received	(10,000)	(10,000)
Provision for long service payments	(656)	(656)
	<u>44,136</u>	<u>33,314</u>
Goodwill on acquisition	<u>136,264</u>	
	<u>180,400</u>	
Satisfied by:		
Cash	33,000	
Carrying value of new shares issued	<u>67,000</u>	
	100,000	
Difference of fair value (HK\$0.22) and carrying value (HK\$0.1) of new shares issued	<u>80,400</u>	
	<u>180,400</u>	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	<i>HK\$'000</i>
Cash consideration	(33,000)
Cash and bank balances acquired	17,449
Bank overdrafts	(2,006)
	<u>(17,557)</u>

Since its acquisition, CMM and its subsidiaries contributed HK\$19,165,000 to the Group's revenue and a loss of HK\$796,000 to the consolidated loss for the six months ended 30 June 2007.

Had the combination taken place at the beginning of the period, the revenue from the continuing operations of the Group and the loss of the Group for the period would have been HK\$59,266,000 and HK\$926,000, respectively.

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property located in Mainland China under operating lease arrangements, with leases negotiated for terms ranging from one to four years.

At 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	<u>120</u>	<u>1,000</u>

(b) As lessee

The Group leases certain of its leasehold land and buildings under operating lease arrangements, with leases negotiated for terms ranging from six months to five years.

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	12,015	2,800
In the second to fifth years, inclusive	9,910	3,423
	<u>21,925</u>	<u>6,223</u>

16. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

	<i>Notes</i>	For the six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Audited) HK\$'000
Related companies of which the director of the Company is the director and controlling shareholder:			
Rental expenses paid	(i)	269	–
Management fee income received	(ii)	66	–
Purchases of goods	(iii)	3	–
		338	–

Notes:

- (i) Rental expenses paid to related companies were made according to prices and conditions stated in the tenancy agreements that were agreed between the Group and related companies.
- (ii) Management fee income received from related companies were charged for administrative purposes provided by the Group. They are charged based on the actual costs incurred plus an agreed percentage to cover a share of general overheads.
- (iii) Considerations for these purchase transactions were determined through negotiations between the respective parties with reference to, among other things, the published price lists and the volume of the transactions on a case-by-case basis.
- (b) A director of the Company has guaranteed certain banking facilities granted to the Group to the extent of HK\$2,000,000 (30 June 2006: Nil).
- (c) Well Villa Company Limited, a related company of the Group, has pledged properties to secure the Group's banking facilities of amounts up to HK\$10,000,000 (30 June 2006: Nil).

17. POST BALANCE SHEET EVENTS

- (a) On 26 June 2007, the Group has entered into the share purchase agreement with Castle Rock Investment Holding Limited (“Castle Rock”), Suregold Global Limited (“Suregold”) and Grand Chance Consultants Limited (“GCC”) (collectively referred to as “Macau Sellers”) pursuant to which the Group conditionally agreed to purchase and the Macau Sellers agreed to sell an aggregate of 86.31% of the issued share capital of Sociedade de Investimento Imobiliario Pun Keng Van S.A.R.L. (“MacauCo”) and their loans with an aggregate amount of MOP\$182,374,767 for a consideration of HK\$1,553,580,000 which is satisfied by the allotment and issue of 500,000,000 new shares to GCC and two convertible bonds of HK\$939,240,000 and HK\$524,340,000 to be issued by the Company to Castle Rock and Suregold, respectively.
- (b) On 26 June 2007, the Company had entered into eight subscription agreements for the allotment and issue of a total of 1,101,000,000 new shares at HK\$0.18 per share.
- (c) By an ordinary resolution passed at the Extraordinary General Meeting held on 27 August 2007, the authorised share capital of the Company is increased from HK\$500,000,000 divided into 10,000,000,000 shares of HK\$0.05 each to HK\$2,500,000,000 divided into 50,000,000,000 Shares of HK\$0.05 each

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND PROSPECTS

Interim dividend

The Directors of the Company do not recommend the payment of any interim dividend in respect of the six months ended 30 June 2007 (30 June 2006: Nil).

Financial Performance

The Group's turnover for the six months ended 30 June 2007 (the "Period") was HK\$24.7 million, significantly increase from HK\$1.9 million when compared with the same period in 2006. The increase was mainly attributable to the acquisition of CMM International Group Limited ("CMM") and its subsidiaries which is specialised in manufacture and trading of cosmetic and related products and provision of beauty technical and tutoring services. Consolidated unaudited loss attributable to equity holders of the Company was HK\$10.8 million, compared with a loss of HK\$16.9 million in the same period last year.

Operating expenses increased to HK\$27.2 million in 2007 from HK\$22.2 million in 2006 mainly due to the increase in selling and distribution expenses of HK\$5.9 million, which was wholly attributable to the acquisition of CMM.

Other income and gain slightly decreased by HK\$1.1 million to HK\$3.3 million in 2007 from HK\$4.4 million in 2006. Other income and gain mainly represented rental income received from the Group's investment properties and bank interest income from fixed deposits in banks.

Business Review

The first half has been characterised by continued execution of the growth strategy.

On 26 June 2007, the Company announced the increase in its ownership of the Macau Nam Van Lake luxury residential development project from 8.69% to 95% in a HK\$1,553,580,000 deal. The project comprises a prime waterfront residential site on Nam Van Lake located at Lot 9 Zone A, Baia de Praia Grande, Central District of the Peninsular Macau and in close proximity to Wynn Resort, Grand Lisboa, AIA Tower and Bank of China. The Company has begun to develop a landmark luxury residential tower of over 50 stories, 600,625 sq. ft. gross floor area plus a parking structure of 400 stalls on the site. Sitting over the water of Nam Van Lake, the building is being designed to the highest international standards to target the top end international clientele and will feature spectacular sea views and a luxury clubhouse.

The Management believes that Macau offers high growth potential especially after the opening of major casinos, conventions and leisure projects on the Macau peninsula and the Cotai strip during the next few years. High economic and population growth will continue to fuel demand for higher quality housing which we expect would further accentuate the expected shortage of high quality residential accommodation in Macau. The project will be a Macau landmark sought after by both foreign investors and local residents.

With GDP growth of 16%, Macau's GDP per capita has overtaken Hong Kong's in 2007. This dramatic increase in wealth is creating rapid growth in the demand and prices for the type of exclusive high class residential accommodation that characterises our Nam Van Lakes project.

The Company successfully completed the 100% acquisition of CMM International, an established PRC cosmetics and skin care brand, on 1 May 2007. Since becoming part of the Group, CMM International has embarked on an innovative expansion program. To rapidly expand distribution reach and provide additional convenience to customers, CMM International has partnered with Acorn International to promote and distribute CMM branded products via Acorn's network of 44 nationwide and local television channels in China. In addition to significantly increasing distribution reach, the program's infomercials will help build brand equity and loyalty. Another area with exciting growth potential is the new spa services program. With continued increase in urban incomes, demand for spa services from affluent Chinese has greatly increased but the supply of spa services for this sector is limited. CMM International has created the new CMM branded spa program based on its core expertise in beauty treatment to ensure local customers can enjoy a world class luxury experience that addresses their beauty needs.

As a result of the Company's growth strategy, we have successfully attracted investment from funds managed by institutional investors including Lotus Capital Management, Keywise Capital Management, Greenwoods Asset Management, Sunshine Asset Management and Fair Capital Management.

Prospects

Macau has entered the world stage as an economic powerhouse with a potent combination of high GDP and double digit GDP growth. With the successful opening of the US\$2.4B Venetian Macau in August 2007 and the scheduled openings of other major complexes on the Cotai Strip in 2008 and 2009, the Macau economy will continue to be strong for the foreseeable future. The Company already has high quality investments in prime sites on Macau peninsula and around the Cotai Strip and we believe the prospects for these projects are very healthy given the continued increase in high end residential prices. We are actively exploring several additional potential opportunities with a view to significantly increasing our Macau luxury property portfolio and further establish the Company as a premium investor and developer in Macau.

In the near future, CMM Group will embark on plans to expand its range of own-branded cosmetic products and spas services through existing and new channels. The new spa program is especially tailored to cater to the local demands, with the objective to capture the fast growing demand from the more affluent Chinese consumers in key provinces.

We will continue to execute the growth strategy to bring the best values and opportunities to our shareholders and investors.

Liquidity and Financial Resources

As at 30 June 2007, the Group had cash and bank balances of HK\$82.6 million placed in bank mainly as fixed deposits. The interest-bearing bank borrowings of the Group amounted to approximately HK\$19.2 million, which was due within one year. The directors believe that the Group has sufficient working capital to meet its present requirements. The Group's gearing ratio, which was computed by dividing the non-current liabilities by shareholders' equity, was 9.6%.

Capital structure of the Company

In May 2007, as part of the consideration of the acquisition of CMM, the Company issued 670,000,000 shares. Save as the aforesaid, there was no change in the capital structure of the Company during the Period.

Material acquisitions and disposals of investments

During the Period, the Group acquired CMM which is a leader in manufacture and trading of cosmetic and related products and provision of beauty technical and tutoring services. Other than this acquisition, the Group had no other material acquisitions or disposals of subsidiaries or affiliated companies during the Period.

Significant capital expenditures

Save as mentioned above, there were no significant capital expenditures during the Period.

Details of charges on the Group's asset

The Group had charges on the fixed deposit of HK\$7.0 million and certain of the Group's buildings of approximately HK\$16.1 million made to banks to secure banking facilities granted to the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2007.

Foreign exchange exposure

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currency has no particular hedging vehicles to hedge its exposure to foreign exchange risk profile. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

DISCLOSURE OF INTERESTS

Interests of Directors

- (i) As at 30 June 2007, the interests and short positions of the Directors and the chief executive of the Company or any of their respective associates in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provision of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Interests in options of the Company

Director	Option exercise period	Number of outstanding options	Exercise price
Mr. Edmund, Kwok King Yan	15 November 2005 to 14 November 2015	16,998,600	HK\$0.305

Save as disclosed above, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provision of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Interests of substantial Shareholders

As at 30 June 2007, so far as is known to the Directors and the chief executive of the Company, the persons, other than Directors or the chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, and the amount of each of such person's interest in such securities, together with any options in respect of such capital, were as follows:

Shareholder	Capacity/ nature of interest	Number of Shares held/ involved	Percentage of the total issued share capital
Orben Inc. (formerly known as i-cf, Inc.) (Note 1)	Interest of controlled corporations	968,472,000	28.8
Addendis SMC Inc. (formerly known as Suiko Enterprise Co., Ltd.) (Note 1)	Beneficial owner	867,000,000	25.8
Addendis HK (Hong Kong) Limited (formerly known as i-cf International Limited) (Note 1)	Beneficial owner	101,472,000	3.0
Power Multi Equity No. 3 Investment Partnership (Note 2)	Beneficial owner	187,983,781	5.6
Crown West Global Limited (Note 3)	Beneficial owner	471,290,141	14.0
Mr. Paul Chen (Note 3)	Interest of a controlled corporation	471,290,141	14.0
Anglo-Asian S.A. (Note 4)	Beneficial owner	244,177,681	7.3
Mr. David Roberts (Note 4)	Interest of a controlled corporation	244,177,681	7.3
LCF II Holdings, Limited (Note 5)	Beneficial owner	535,268,000	15.9

Shareholder	Capacity/ nature of interest	Number of Shares held/ involved	Percentage of the total issued share capital
Ambleside Associates Limited (<i>Note 6</i>)	Beneficial owner	670,000,000	20.0
Ms. Cheng Ho Ming (<i>Note 7</i>)	Interest of a controlled corporation	670,000,000	20.0

Notes:

1. Orben Inc. wholly owns all the shares in Addendis SMC Inc. and Addendis HK (Hong Kong) Limited and is therefore deemed to have an interest in an aggregate of 968,472,000 Shares under the SFO.
2. Power Multi Equity No. 3 Investment Partnership (“PME”) is interested in 187,983,781 Shares under the SFO according to an agreement dated 11 November 2005 entered into between the Company as issuer and PME as subscriber pursuant to which, PME subscribed for the zero coupon convertible bonds issued by the Company in an aggregate principal amount of HK\$51,000,000.
3. Mr. Paul Chen wholly owns all the beneficial interest in the shares in Crown West Global Limited and is therefore deemed to have an interest in 471,290,141 Shares under the SFO.
4. Mr. David Roberts wholly owns all the beneficial interest in the shares in Anglo-Asian S.A. and is therefore deemed to have an interest in 244,177,681 Shares under the SFO.
5. Pursuant to an agreement dated 11 September 2006, the Company agreed to issue to LCF II Holdings, Limited as a series A warrant and a series B warrant to subscribe for up to a total of 535,268,000 new shares in the Company at an initial subscription price of HK\$0.1999 each, subject to adjustment, at any time during the three years’ period commencing from the issue date of the said warrants.
6. Pursuant to an agreement dated 14 February 2007, the Company agreed conditionally to issue 670,000,000 Shares to Ambleside Associates Limited as consideration shares.
7. Ms. Cheng Ho Ming owns 70% of the issued share capital of Ambleside Associates Limited and Peakjoy Global Ltd. owns the remaining 30% of the issued share capital of Ambleside Associates Limited. Ms. Cheng Ho Ming wholly owns all the beneficial interest in Peakjoy Global Ltd. Ms. Cheng Ho Ming is therefore deemed to have an interest in 670,000,000 Shares under the SFO.

AUDIT COMMITTEE

The Audit Committee aims at providing an independent and objective review of the financial reporting process, internal controls, and the audit functions of the Group. The current members are Mr. Sun Juyi, Ms. Hin Yat Ha and Ms. Chiu Ching, Katie and they all have extensive experience in accounting, commercial and probate matter. The Committee has reviewed the accuracy of the interim financial statements and the Interim Report 2007 before the reports were sent to Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee was set up to review the remuneration package of the Directors and senior management of the Company. All the Remuneration Committee members are Independent Non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board and the Company has adopted the Model Code for Securities Transactions. Having made specific enquiry of all Directors, during the six months ended 30 June 2007, the Directors of the Company have complied with required standards as set out in the Model Code for Securities Transactions.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2007 with the applicable provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, except that:

Under provision A.4.2 of the Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Directors of the Company were not appointed for a specific term but one-third of the Directors, except the Chairman, are subject to retirement by rotation at each annual general meeting as stated in the Articles of Association of the Company.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

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

All the information required by the relevant provisions of Appendix 16 of Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
Signal Media and Communications Holdings Limited
Edmund, Kwok King Yan
Director

17 September 2007