

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of S & D International Development Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheung Yu Ping *(appointed on 14 July 2008)*
(Chairman and Chief Executive Officer)

Mr. Chan Chi Chiu Henry *(appointed on 14 July 2008)*

Mrs. Tinna Chan Yee *(resigned on 14 July 2008)*

Mr. Henry Dicker Yee *(resigned on 14 July 2008)*

Mrs. Sana Bakhtiar Ahmed *(resigned on 14 July 2008)*

Mr. Tan Shu Jiang *(resigned on 14 July 2008)*

Independent Non-Executive Directors

Mr. Jin Guangjun *(appointed on 14 July 2008)*

Mr. Law Kin Ho *(appointed on 14 July 2008)*

Mr. Chan Wai Fat *(appointed on 14 July 2008)*

Mr. Chan Cheong Yee *(resigned on 14 July 2008)*

Mr. Ronald Garry Hopp *(resigned on 14 July 2008)*

Mr. Yip Tai Him *(resigned on 14 July 2008)*

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Chiu Henry

Ms. Wong Bing Ni

COMPLIANCE OFFICER

Mr. Chan Chi Chiu Henry

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Wong Bing Ni *CPA ACS*

**HEAD OFFICE AND PRINCIPAL
PLACE OF BUSINESS IN
HONG KONG**

Room 3712, 37/F, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

**SHARE REGISTRAR AND
TRANSFER OFFICES**

Principal

Bank of Bermuda (Cayman) Limited
2nd Floor, Strathvale House
North Church Street
P.O. Box 513 GT
George Town
Grand Cayman KY1-1106
Cayman Islands

Hong Kong Branch

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDITORS

CCIF CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

8148

COMPANY WEBSITE

www.sddevelop.com

INTERIM RESULTS

The board of directors of the Company (the “Board”) hereby presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months and three months ended 30 June 2008, together with the comparative figures for the corresponding periods in 2007, as follows:

Condensed consolidated income statement

	Notes	Six months ended 30 June		Three months ended 30 June	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover	2	2,409	550	1,140	250
Cost of sales		(1,071)	(306)	(497)	(131)
Gross profit		1,338	244	643	119
Selling and distribution expenses		(212)	—	(110)	—
General and administrative expenses		(4,958)	(1,579)	(2,124)	(1,131)
Loss from operations		(3,832)	(1,335)	(1,591)	(1,012)
Finance costs		(1,031)	(671)	(563)	(336)
Waiver of amount due to a former shareholder		—	1,594	—	1,594
(Loss)/profit before taxation	3	(4,863)	(412)	(2,154)	246
Income tax	4	—	—	—	—
(Loss)/profit for the period		(4,863)	(412)	(2,154)	246
Attributable to:					
Equity shareholders of the Company		(4,863)	(412)	(2,154)	246
Minority interests		—	—	—	—
(Loss)/profit for the period		(4,863)	(412)	(2,154)	246
(Loss)/profit per share					
Basic (cents)	6	(2.43)	(0.21)	(1.08)	0.12
Diluted (cents)		N/A	N/A	N/A	N/A

Condensed consolidated balance sheet

		As at 30 June	As at 31 December
	<i>Notes</i>	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	322	327
Deposits for acquisition of subsidiaries		22,710	22,710
		23,032	23,037
Current assets			
Trade and other receivables	9	776	633
Cash and cash equivalents		5,894	675
		6,670	1,308
Current liabilities			
Trade and other payables	10	10,977	9,753
Amount due to a former shareholder	11	6,555	5,032
Amount due to directors	12	2	14
Bank loan, unsecured		15,960	14,980
Other loan payable, unsecured		8,527	495
		42,021	30,274
Net current liabilities		(35,351)	(28,966)
NET LIABILITIES		(12,319)	(5,929)
CAPITAL AND RESERVES			
Share capital		2,000	2,000
Reserves		(15,795)	(9,314)
Total equity attributable to equity shareholders of the Company		(13,795)	(7,314)
Minority interests		1,476	1,385
CAPITAL DEFICIT		(12,319)	(5,929)

Condensed consolidated cash flow statement

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(4,296)	(1,458)
NET CASH USED IN INVESTING ACTIVITIES	(7)	(343)
NET CASH FROM FINANCING ACTIVITIES	9,510	2,333
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,207	532
CASH AND CASH EQUIVALENTS AT 1 JANUARY	675	164
Effect of foreign exchange rate changes	12	—
CASH AND CASH EQUIVALENTS AT 30 JUNE	5,894	696
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,894	696

Condensed statement of changes in equity

	Share Capital HK\$'000	Share premium HK\$'000	Capital surplus HK\$'000	General reserve HK\$'000	Exchange reserve HK\$'000	Share-based		Minority Total HK\$'000	Total interests HK\$'000	Total equity HK\$'000
						Compensation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2007	2,000	30,224	15,090	2,927	(550)	1,742	(51,905)	(472)	1,305	833
Share options lapsed	—	—	—	—	—	(1,742)	1,742	—	—	—
Loss for the period	—	—	—	—	—	—	(412)	(412)	—	(412)
At 30 June 2007 (Unaudited)	2,000	30,224	15,090	2,927	(550)	—	(50,575)	(884)	1,305	421
At 1 January 2008	2,000	30,224	15,090	2,927	(2,017)	—	(55,538)	(7,314)	1,385	(5,929)

Exchange differences

on (Tm)01253 14(x)-14(c)-167.3756 Tm357.375(c)-14(e)-14(s) 11ETBT/T12 1 Tf5.53 040 7 52.5197 357.37f6 Tm(b)-14f67.3756 Tmn4(x)-14(c)-2(h)-1c67

2. TURNOVER

The principal activities of the Group are trading of computer equipment and provision of custom-made solutions. Turnover represents the revenue from trading of computer equipment and provision of custom-made solutions, excludes value added or other sales taxes and is after the deduction of any trade discounts.

The amount of each significant category of revenue recognized in turnover is as follows:

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Trading of computer equipment	889	—
Provision of custom-made solutions	1,520	550
	2,409	550

3. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	45	14
Operating lease charges in respect of properties: minimum lease payment	442	165
Interest on other borrowings wholly repayable within one year	59	—
Interest on bank borrowings wholly repayable within five years	972	669

4. INCOME TAX

No provision for Hong Kong Profits Tax has been made as there was no estimated assessable profit for the Group during the six months ended 30 June 2008 (2007: Nil).

The Group has no other known tax liability.

No provision for deferred tax has been made as there was no significant timing differences arose for the six months ended 30 June 2008 (2007: Nil).

5. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2008 (2007: Nil).

6. (LOSS)/PROFIT PER SHARE

(a) **Basic (loss)/profit per share**

The calculation is based on 14,905,517 (2007: 14,857,285) shares in issue at 30 June 2008 (2007: 14,974,572).



Trading of computer equipment HK\$'000 (Unaudited)	Provision of custom-made solutions HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
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7. SEGMENT REPORTING (continued)

Six months ended 30 June 2007

	Trading of computer equipment HK\$'000 (Unaudited)	Provision of custom-made solutions HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue from external customer	—	550	550
Segment result	—	244	244
Unallocated operating income and expenses			(1,579)
Loss from operations			(1,335)
Finance costs			(671)
Waiver of amount due to a former shareholder			1,594
Minority interests			—
Loss for the period			(412)

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Computer and other equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2008	779	2,363	1,264	833	5,239
Additions	—	40	—	—	40
At 30 June 2008	779	2,403	1,264	833	5,279
Accumulated depreciation					
At 1 January 2008	548	2,312	1,219	833	4,912
Charge for period	26	9	10	—	45
At 30 June 2008	574	2,321	1,229	833	4,957
Net book value					
At 30 June 2008 (Unaudited)	205	82	35	—	322
At 31 December 2007 (Audited)	231	51	45	—	327

9. TRADE AND OTHER RECEIVABLES

	At 30 June	At 31 December
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade debtors	250	—
Other debtors, deposits and prepayments	526	633
	776	633

Debts are due for payment at the date of billing. Credit term granted by the Group to customers is generally between one to six months. Subject to negotiation, extended credit terms are available for certain major customers with well-established trading records.

An aged analysis of the trade receivables is shown as follows:

	At 30 June	At 31 December
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	250	—

10. TRADE AND OTHER PAYABLES

	At 30 June	At 31 December
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade creditors	421	395
Loan interest payable	4,788	3,526
Other creditors and accrued charges	5,768	5,832
	10,977	9,753

An aged analysis of the trade payables is shown as follows:

	At 30 June	At 31 December
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Over 360 days	421	395

11. AMOUNT DUE TO A FORMER SHAREHOLDER

Amount due to a former shareholder is unsecured, interest free and has no fixed repayment term.

12. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and repayable on demand.

13. OPERATING LEASE COMMITMENTS

At 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	At 30 June	At 31 December
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 1 year	666	661
After 1 year but within 5 years	—	110
	666	771

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

For the six months ended 30 June 2008, the Group recorded a turnover of approximately HK\$2,409,000 as compared with approximately HK\$550,000 for the same period in 2007. Loss attributable to equity shareholders of the Company was approximately HK\$4,863,000 as compared with approximately HK\$412,000 for the same period in 2007.

Financial Resource and Liquidity

As at 30 June 2008, the bank balances and cash of the Group was approximately HK\$5,894,000 (31 December 2007: HK\$675,000). The outstanding bank loan and other loans of the Group was in aggregate of approximately HK\$24,487,000 (31 December 2007: HK\$15,475,000). The bank borrowings, denominated in Renminbi ("RMB"), are repayable within one year with interest rate of 6.38% per annum. The bank loan has been overdue and interest rate has been revised to 9.558% per annum. The other loan of HK\$8,000,000 is repayable on 31 December 2008 and bearing interest at 1% over the best lending rate for Hong Kong dollar per annum from time to time quoted from The Hong Kong and Shanghai Banking Corporation Limited.

Gearing Ratio

As at 30 June 2008, the total asset value of the Group was approximately HK\$29,702,000 whereas the total liabilities were approximately HK\$42,021,000. The gearing ratio of the Group, calculated as total liabilities over total assets, was 141.5% (31 December 2007: 124.4%). The Directors would considered various measures to improve the gearing ratio of the Group.

Foreign Exchange Exposure

The Directors consider that the Group has no material foreign exchange exposure.

Pledge of Assets and Contingent Liabilities

As at 30 June 2008, the Group did not have any substantial pledge of assets and contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

During the first half of 2008, the Group is principally engaged in the provision of custom-made solutions and trading of computer equipment. The Group has continuously expanded in variety of products and different market segments to provide high quality service to our customers. As a result, the revenue generated from the segment of custom-made solutions business has grown gradually during the six months in 2008.

The Group has taken a cautious approach to penetrate the market in gradually manner in order to well strike the balance of expense and revenue. Subsequent to the period under review, the directors are pleased to announce that the Group has obtained an overseas distribution right of certain newly developed computerized smart sockets and related accessories. The board believes that this has brought a great opportunity for the Group to enhance its base of revenue and earnings.

Meanwhile, the Group is committed to reviewing all possible options to provide future cash flow to the Group and will consequently undertake a strategic review of our business.

Change of Controlling Shareholder

On 26 May 2008, Hong Sheng Group Limited has become the new controlling shareholder of the Group, which own an aggregate of 136,557,828 issued shares of the Company as at 30 June 2008, representing approximately 68.28% of total issued share capital of the Company. Details of the transaction have disclosed in the circular dated 13 June 2008.

Employee Information

As at 30 June 2008, the Group employed 10 staff (2007: 8 staff). The staff cost (including directors' remuneration) was approximately HK\$1,700,000 for the period under review (2007: HK\$600,000). Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee.

The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions of the Directors or the chief executive in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(i) Long positions in the shares of the Company

<u>Name of Directors</u>	<u>Nature of Interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Cheung Yu Ping	Interest of a controlled corporation (Note 1)	136,557,828	68.28%

(ii) Long positions in the shares of associated corporation

<u>Name of Directors</u>	<u>Name of associated corporation</u>	<u>Nature of Interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Cheung Yu Ping	Hong Sheng Group Limited	Interest of a controlled corporation (Note 1)	510	51%

Note:

- The interest on the Shares of Cheung Yu Ping was held through Hong Sheng Group Limited, the entire issued share capital of which was beneficially and ultimately owned as to 51% by Cheung Yu Ping and as to 49% by Cai Dongmei.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTEREST

Substantial Shareholders

So far as is known to the Directors, as at 30 June 2008, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Hong Sheng Group Limited	Beneficial owner (Note 2)	136,557,828 (L)	68.28%
Cai Dongmei	Interest of a controlled corporation (Note 2)	136,557,828 (L)	68.28%
Simplex Technology Investment (Hong Kong) Co. Limited ("Simplex")	Beneficial owner (Note 3)	22,528,484 (L)	11.26%
Shanghai Jiaoda Industrial Investment Management (Group) Limited ("Jiaoda Industrial Group")	Interest of a controlled corporation (Note 3)	22,528,484 (L)	11.26%
Shanghai Jiao Tong University	Interest of a controlled corporation (Note 3)	22,528,484 (L)	11.26%
Yan Li Li	Beneficial owner	10,600,000 (L)	5.30%

Notes:

1. The letter "L" denotes the entity's interests in the Shares.
2. The interest in the Shares of Cai Dongmei was held through Hong Sheng Group Limited, the entire issued share capital of which was beneficially and ultimately owned as to 51% by Cheung Yu Ping and as to 49% by Cai Dongmei.
3. The interest in the Shares are held through Simplex, the entire issued share capital of which was beneficially owned by Jiaoda Industrial Group. The registered capital of Jiaoda Industrial Group was owned as to 96.735% by Shanghai Jiao Tong University and 3.265% by Shanghai Jiaoda Enterprise Management Centre* (上海交大企業管理中心), an entity wholly owned by Shanghai Jiao Tong University.

Save as disclosed above, the Company has not been notified of other interests or short positions of any other person (other than the Directors and chief executives and the substantial shareholders of the Company) in the Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2008.

As a results of the unconditional mandatory general offer by Grand Cathay Securities (Hong Kong) Limited on behalf of Hong Sheng Group Limited for all the issued shares of HK\$0.01 each in S & D International Development Group Limited (other than those Shares already owned by Hong Sheng Group Limited and parties acting in concert with it) dated 13 June 2008, as at the date of this report, Hong Sheng Group Limited, holds 142,671,965 Shares of the Company, representing approximately 71.34% of the issued share capital of the Company, Simplex Technology Investment (Hong Kong) Co. Limited, holds 16,896,363 Shares of the Company, representing approximately 8.45% of the issued share capital of the Company, and Yan Li Li holds 10,600,000 Shares of the Company, representing approximately 5.30% of the issued share capital of the Company.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted on 25 November 2003 whereby the Directors of the Company may at their discretion invite any employees, directors, suppliers, customers, advisers, consultants, joint venture partners, and any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any member of the Group or any invested entities, to take up options to subscribe for Shares. The Scheme became effective upon the listing of the Company's shares on the GEM of the Stock Exchange on 9 January 2004.

Date of grant	Exercise period	Exercise price per share (HK\$)	Outstanding As at 1.1.2008 and As at 30.6.2008
Directors			
10.10.2005	10.10.2005 – 29.10.2015	0.14	—
Employees, consultants and others			
17.01.2005	17.1.2005 – 16.1.2015	0.45	—
10.10.2005	10.10.2005 – 29.10.2015	0.14	—

COMPETING INTERESTS

None of the Directors and management and shareholders of the Company (within the meaning of the GEM Listing Rules) has an interest in any business which competes or may compete with the business in which the Group is engaged.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "Code") throughout the period ended 30 June 2008.

AUDIT COMMITTEE

The Company has established audit committee with written terms of reference. The primary duties of the audit committee are to review, in draft form, the Company's annual report and accounts, half-year report, quarterly report and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Jin Guangjun, Mr. Law Kin Ho and Mr. Chan Wai Fat. Mr. Jin Guangjun is the chairman of the audit committee.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters, including a review of the interim report for the six months ended 30 June 2008 with the Directors.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2008, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has complied with the public float requirement under Rule 11.23 of the GEM Listing Rules.

By order of the Board of
S & D International Development Group Limited
Cheung Yu Ping
Chairman

Hong Kong, 11 August 2008

As at the date of this report, the Board comprises two executive Directors, who are Mr. Cheung Yu Ping and Mr. Chan Chi Chiu Henry, and three independent non-executive Directors, who are Mr. Jin Guangjun, Mr. Law Kin Ho and Mr. Chan Wai Fat.