



**SOUTH CHINA LAND LIMITED**  
**南華置地有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8155)

**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2007**

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

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*This report, for which the directors of South China Land Limited 南華置地有限公司 (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.*

## INTERIM RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
<b>Revenue</b>	2	7,083	6,646	13,753	12,310
Direct operating expenses		(3,447)	(4,321)	(7,596)	(8,092)
Other operating income		6	6	13	11
Selling and distribution costs		(1,996)	(1,932)	(4,456)	(3,570)
Administrative expenses		(940)	(446)	(1,694)	(862)
<b>Profit (Loss) before income tax</b>	3	706	(47)	20	(203)
Taxation	5	–	–	–	–
<b>Profit (Loss) for the period</b>		<u>706</u>	<u>(47)</u>	<u>20</u>	<u>(203)</u>
<b>Attributable to:</b>					
Equity holders of the Company		706	(47)	20	(203)
Minority interests		–	–	–	–
		<u>706</u>	<u>(47)</u>	<u>20</u>	<u>(203)</u>
Earnings (Loss) per share					
– Basic	7	<u>HK0.14 cent</u>	<u>HK(0.01) cent</u>	<u>HK0.004 cent</u>	<u>HK(0.04) cent</u>
– Diluted		<u>HK0.01 cent</u>	<u>N/A</u>	<u>HK0.0003 cent</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 30 December 2006 <i>HK\$'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		802	717
Property under development		666,615	–
Goodwill		177,732	–
		<u>845,149</u>	<u>717</u>
<b>Current assets</b>			
Trade receivables	8	5,681	5,501
Other receivables		12,397	705
Amount due from a minority shareholder of a subsidiary		16,789	–
Amount due from a related company		11,500	–
Bank balances and cash		8,022	1,388
		<u>54,389</u>	<u>7,594</u>
<b>Current liabilities</b>			
Trade payables	9	3,723	3,789
Other payables and accrued charges		4,256	3,118
Receipts in advance		180	193
Amount due to related company		123	215
		<u>8,282</u>	<u>7,315</u>
<b>Net current assets</b>		46,107	279
<b>Non-current liabilities</b>			
Bank Loan		80,000	–
Convertible Notes		336,635	–
Amount due to related company		88,641	–
		<u>505,276</u>	<u>–</u>
<b>Net assets</b>		<u><u>385,980</u></u>	<u><u>996</u></u>
<b>Capital and reserves</b>			
Share capital		5,065	5,065
Share premium and reserves		73,555	(4,069)
		<u>78,620</u>	<u>996</u>
Equity attributable to equity holders of the Company		78,620	996
Minority interests		307,360	–
<b>Total equity</b>		<u><u>385,980</u></u>	<u><u>996</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Employee compensation reserve HK\$'000	Exchange reserve HK\$'000	Convertible note reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As 1 January 2006	5,065	11,483	6,044	816	-	-	(22,565)	843	-	843
Loss for the period	-	-	-	-	-	-	(203)	(203)	-	(203)
As 31 June 2006	<u>5,065</u>	<u>11,483</u>	<u>6,044</u>	<u>816</u>	<u>-</u>	<u>-</u>	<u>(22,768)</u>	<u>640</u>	<u>-</u>	<u>640</u>
As 1 January 2007	5,065	11,483	6,044	-	-	-	(21,596)	996	-	996
Profit for the period	-	-	-	-	-	-	20	20	-	20
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	305,234	305,234
Issue of convertible notes	-	-	-	-	-	75,594	-	75,594	-	75,594
Exchange realignment	-	-	-	-	1,377	-	-	1,377	2,126	3,503
Employee share-based compensation	-	-	-	633	-	-	-	633	-	633
As 30 June 2007	<u>5,065</u>	<u>11,483</u>	<u>6,044</u>	<u>633</u>	<u>1,377</u>	<u>75,594</u>	<u>(21,576)</u>	<u>78,620</u>	<u>307,360</u>	<u>385,980</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2007 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(8,524)	(743)
Net cash used in investing activities	(9,437)	(26)
Net cash from financing activities	24,595	–
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	6,634	(769)
Cash and cash equivalents, beginning of the period	1,388	1,330
	<hr/>	<hr/>
Cash and cash equivalents, end of the period	<u>8,022</u>	<u>561</u>
	<hr/>	<hr/>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<u>8,022</u>	<u>561</u>

Notes:

## 1 BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months and six months ended 30 June 2007 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

These interim financial statements should be read in conjunction with the 2006 annual report.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006.

## 2 REVENUE

Turnover comprises sales of magazines, advertising income and promotion project income.

## 3 PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax for the three months and six months ended 30 June 2007 is arrived at after charging depreciation of HK\$96,000 and HK\$183,000 respectively (three months and six months ended 30 June 2006: HK\$101,000 and HK\$202,000 respectively).

## 4 SEGMENT INFORMATION

### (a) Geographical segments

An analysis of the Group's revenue and profit (loss) by geographical location\* are as follows:

	Turnover		Profit (Loss)	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	13,753	12,310	20	(203)
Other regions of the People's Republic of China (the "PRC")	—	—	—	—
	<u>13,753</u>	<u>12,310</u>	<u>20</u>	<u>(203)</u>

\* Revenue and profit (loss) by geographical location is determined on the basis of the destination of delivery of magazines and publication of advertisements.

(b) **Business segments**

An analysis of the Group's revenue and profit (loss) by business segments are as follows:

	<b>Turnover</b>		<b>Profit (Loss)</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Publications	<b>13,753</b>	12,310	<b>206</b>	(203)
Property investment and development	<b>—</b>	—	<b>(186)</b>	—
	<b>13,753</b>	12,310	<b>20</b>	(203)

5 **TAXATION**

No Hong Kong profits tax was provided as the Group had no estimated assessable profits arising in or derived from Hong Kong during the three months and six months ended 30 June 2007 (three months and six months ended 30 June 2006: Nil).

6 **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

7 **EARNINGS (LOSS) PER SHARE**

The calculation of basic earnings (loss) per share for the three months and six months ended 30 June 2007 is based on the unaudited profit attributable to shareholders of HK\$706,000 and HK\$20,000 respectively (three months and six months ended 30 June 2006: unaudited loss of HK\$47,000 and HK\$203,000 respectively) and on the number of 506,498,344 shares in issue (three months and six months ended 30 June 2006: 506,498,344 shares).

The calculation of diluted earnings per share for the three months and six months ended 30 June 2007 is based on the unaudited profit attributable to shareholders of HK\$706,000 and HK\$20,000 respectively and on the number of 5,946,498,344 shares deemed issue.

For the three months and six months ended 30 June 2006, no diluted loss per share has been presented as it is anti-dilutive.

## 8 TRADE RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its customers.

The following is an aging analysis of trade receivables:

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
0 – 30 days	2,472	1,933
31 – 60 days	1,444	1,182
61 – 90 days	621	1,019
91 – 180 days	717	1,131
Over 180 days	427	236
	<u>5,681</u>	<u>5,501</u>

## 9 TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
0 – 30 days	998	590
31 – 60 days	538	546
61 – 90 days	549	722
91 – 180 days	1,042	1,271
Over 180 days	596	660
	<u>3,723</u>	<u>3,789</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Publications**

For the six months ended 30 June 2007, the Group's turnover was HK\$13.8 million, showing an increase of 11.7% from HK\$12.3 million for the corresponding period last year. As a result, the Group recorded a profit of HK\$206,000 for the six months ended 30 June 2007 as compared with a loss of HK\$203,000 in the previous year.

During the three months ended 30 June 2007, the Group's turnover was HK\$7.1 million, representing an increase of 6.6% from that for the same period of last year and an increase of 6.2% when compared to the last quarter ended 31 March 2007. The net profit of the Group for the three months ended 30 June 2007 was HK\$892,000 while the last year's net loss for the corresponding period of HK\$47,000.

The increase in turnover was mainly a result of the increasing number of client events hosted. The Group has successfully established itself as a premier event management organization. This positive contributing factor along with the more efficient allocation of resources are the main reasons for the turnaround.

Apart from client events, the Group also successfully hosted the very popular "Capital's Best of the Best for Executives 2007" for the third year running. There were many repeating winners from the two previous years but also various much deserved new comers of the awards.

#### **Property investment and development**

The foundation for the Group's premium shopping mall in Shenyang's "Zhong Jie" pedestrian street is in progress. Completion of the foundation works is expected within the first quarter of 2008 with completion of the project by the end of 2008. The economy of Shenyang continues to grow rapidly with a half year GDP growth of 17.4% and an increase in wages across the board. The city plans to extend towards Fushun, a neighbouring city of population 2.5 million to increase its overall population from 7 million to 9.5 million by the end of 2010.

Just recently, a neighbouring plot of land was purchased by an external investor at a price of RMB59,000 per square metre of site area. This is a record price paid for such a commercial land and is reflective of the deep intrinsic value of the Group's site.

In April 2007, when the Group signed a 400,000 square metres site area re-location and re-development agreement with the government of the Tianjin-Bohai Coastal Economic Development Area, with an expected 1,000,000 square metres of saleable floor area. Since then, the Group has been focused on Phase 1 of the development, which involves re-locating roughly 15,000 square metres from the existing residents yielding residential and commercial saleable floor area of roughly 30,000 square metres. Construction work is expected to begin in September 2007.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2007, the Group had net current assets of HK\$46.11 million (31 December 2006: HK\$0.28 million).

The Board is of the opinion that, taking into account the internal financial resources of the Group, the Group has sufficient working capital for its present requirements.

As at 30 June 2007, the Group's long term bank borrowings amounted to HK\$80 million (2006: Nil), which, when related to the Group's total equity (including minority interest) of HK\$386 million, represent a gearing ratio of approximately 21% (2006: Nil).

## **MATERIAL RELATED PARTY TRANSACTION**

A bank loan of HK\$80 million granted to the Group was secured by the entire issued share in a subsidiary and corporate guarantee executed by South China Industries Limited ("SCI"), a related company of the Company.

## **MATERIAL ACQUISITION AND DISPOSAL**

During the six months ended 30 June 2007, the Group acquired 51% of the equity interest in Praise Rich Limited ("Praise Rich") from a subsidiary of SCI for a consideration of HK\$408 million by way of issuance of a convertible note of the Company (the "Convertible Note I") to Skychance Group Limited ("Skychance"), details of which were disclosed in a circular of the Company dated 12 February 2007.

The Group further proposed to acquire the remaining 49% of the equity interest in Praise Rich from SCI for a consideration of HK\$392 million by way of issuance of a convertible note of the Company (the "Convertible Note II") to Skychance, details of the transaction were disclosed in a circular of the Company dated 13 June 2007.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES**

During the six months ended 30 June 2007, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

At the balance sheet date, the Group had no charges on its assets and did not have any contingent liabilities.

## **EMPLOYEES**

As at 30 June 2007, the total number of employees of the Group was 85 (30 June 2006: 47). Employees' cost (including directors' emoluments) amounted to approximately HK\$7,249,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: approximately HK\$5,556,000).

The Group considers its employees are its most valuable assets. In addition to salaries, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. An employee share option scheme was adopted by the Company on 24 June 2002 and became effective on 18 July 2002.

## **POST BALANCE SHEET EVENT**

On 6 July 2007, the Company has completed the acquisition of the remaining 49% equity interest in Praise Rich by fulfilling all conditions precedent and has issued the Convertible Note II of HK\$392 million to Skychance.

## **PROSPECTS**

### **Publications**

The Group has repositioned "Capital CEO" and "Capital Entrepreneur" into a combo pack magazine focused on providing readers and advertisers alike a more comprehensive product. We believe that the combo pack is highly attractive in terms of value for money and will bring in strong demand in terms of an increased circulation and advertising revenue for the Group.

"Capital" will continue to exist as a separate magazine with further emphasis on macro economic policies and implications.

### **Property investment and development**

The rapid improvement in the Shenyang economy, further urbanization of the outskirts to increase overall population and the buoyed optimism of the property market provides a very strong fundamental base for commercial property in the city. As the site is in the central district of the pedestrian street with average pedestrian flow of over 300,000 people a day, it is in the prime position to take advantage of all the above positive factors.

The Group will also look for further investment opportunities in Shenyang and is in the process of reviewing several other sites, all of which management believes, have good growth potential.

As of July 2007, the new Bohai Coastal Economic Development Area has been officially founded by the government of Hebei province. This is very promising news for the Group's existing and potential property development projects in the Area as it will mean faster economic growth and stronger government support. Management strongly believes this area is currently under-developed but has tremendous logistics potential as it is situated 20 kilometres from Huanghua Port, 100 kilometres from Tianjin, 230 kilometres from Beijing and equipped with three national roads, two express highways and three railroads. The geographical position of the port stands to service and benefit the entire southern Hebei Province as well as parts of Shandong Province.

Phase 1 of the project is expected to pre-sell within 2007, and is expected to be well received at existing local market prices. The Group believes that our current model is one of the best approaches to accumulating landbank in the area and we are concurrently investigating similar projects in nearby counties.

Our Huanghua Port development project, in which the Group holds 49% effective interest, will be established within the third quarter, after which we can proceed to reclaim 20 square kilometres of land for re-development purposes. The official establishment of the Economic Development Area will be a very strong accelerator for this project, as the demand for Industrial and related supporting land uses will be even higher. As such, we have been looking to increase our involvement in the developing the port area and have begun investigating reclamation near the port.

The Group is very confident in widening its property investment scope throughout key growth areas of the PRC. Management believes that, besides Hebei province, our most notable prospects include the city areas of Chongqing, Xian, Harbin, Nanjing and Tianjin, and will continue to focus our search for landbank in these areas.

#### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2007, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

**(i) Long position in ordinary shares of HK\$0.01 each of the Company (the "Shares")**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate% of shareholding</b>
Ng Hung Sang ("Mr. Ng")	Beneficial owner	20,120,800	3.97%
	Interests of controlled corporations	326,588,403 (Note a)	64.48%

**(ii) Long position in underlying Shares**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate% of shareholding</b>
Mr. Ng	Interests of controlled corporations	10,666,666,666 (Note c)	2,105.96%

(iii) Long position in underlying Shares to be subscribed for under the share option scheme

Name of Director	Date of grant	Exercise price per Share (HK\$)	Number of underlying Shares in relation to share option held	Exercise Period
Ng Yuk Yeung, Paul	14/3/2007	0.2166	5,000,000	14.03.2008– 13.03.2012
Ng Yuk Fung, Peter	14/3/2007	0.2166	5,000,000	14.03.2008– 13.03.2012

*Note:*

- (a) The 326,588,403 Shares referred to above included 101,422,000 Shares held by Parkfield Holdings Limited (“Parkfield”), 99,012,563 Shares held by Fung Shing Group Limited (“Fung Shing”), 4,166,400 Shares held by Ronastar Investments Limited (“Ronastar”) and 121,987,440 Shares held by Eartrade Investments Limited (“Eartrade”), which was owned as to 60%, 20% and 20% by Mr. Ng, Ms. Cheung Choi Ngor (“Ms. Cheung”) and Mr. Richard Howard Gorges (“Mr. Gorges”), directors of South China Holdings Limited (“SCH”) and SCI, respectively. The 121,987,440 Shares referred to above included 59,325,840 Shares held by Bannock Investment Limited (“Bannock”) which was a wholly-owned subsidiary of Eartrade. Each of Parkfield, Fung Shing and Ronastar was wholly-owned by Mr. Ng.
- (b) Mr. Ng, Ms. Cheung and Mr. Gorges, through companies wholly owned and controlled by them, had interests in 487,949,760 shares in SCH. Mr. Ng personally owned 71,652,200 shares in SCH and through companies wholly-owned and controlled by him, beneficially owned 784,579,852 shares in SCH.
- (c) The Convertible Note I and Convertible Note II with the rights to convert into 5,440,000,000 Shares and 5,226,666,666 Shares respectively at a conversion price of HK\$0.075 each was issued and to be issued to Skychance, a subsidiary of SCI. By virtue of the interests in the shares in SCH in relation to which Mr. Ng had a duty of disclosure under the SFO as described in Note (b) above and SCI was a subsidiary of SCH, Mr. Ng was taken to have a duty of disclosure in relation to the said underlying Shares under the SFO.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 30 June 2007, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register 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 issuers as referred to in rule 5.46 to 5.67 of the GEM Listing Rules.

## SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 24 June 2002 and became effective on 18 July 2002. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2007 were as follows:

Name and category of participant	Held as at 1.1.2007	Number of share options					Outstanding as at 30.6.2007	Date of grant of share options	Exercise period of share options (Note a)	Price of the Shares		
		Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Initial exercise price per share option HK\$				Immediately preceding the grant date of share option HK\$	Immediately preceding the exercise date of share option HK\$	
Director												
Ng Yuk Yeung, Paul	-	5,000,000	-	-	-	5,000,000	14.3.2007	14.3.2008 – 13.3.2012	0.2166	0.20	N/A	
Ng Yuk Fung, Peter	-	5,000,000	-	-	-	5,000,000	14.3.2007	14.3.2008 – 13.3.2012	0.2166	0.20	N/A	
Sub-total	-	10,000,000	-	-	-	10,000,000						
Others												
In aggregate	-	1,000,000	-	-	-	1,000,000	14.03.2007	14.3.2008 – 13.3.2012	0.2166	0.20	N/A	
	-	3,000,000	-	-	-	3,000,000	02.04.2007	2.4.2008 – 1.4.2012	0.3150	0.29	N/A	
	-	2,000,000	-	-	-	2,000,000	10.05.2007	10.5.2008 – 9.5.2012	0.3100	0.29	N/A	
Sub-total	-	6,000,000	-	-	-	6,000,000						
Total	-	16,000,000	-	-	-	16,000,000						

### Notes:

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

#### From the date of grant of share options

#### Exercisable Percentage

Within 12 months	Nil
13th – 24th months	33 <sup>1</sup> / <sub>3</sub> %
25th – 36th months	33 <sup>1</sup> / <sub>3</sub> %
37th – 48th months	33 <sup>1</sup> / <sub>3</sub> %

- (b) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

- (c) The weighted average closing price of the shares immediately before the date on which the options are exercised.
- (d) The fair values of options granted under the Scheme on 14 March 2007, 2 April 2007 and 10 May 2007 and measured at the date of grant were approximately HK\$2,199,999, HK\$945,000 and HK\$619,999 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

<b>Date of grant</b>	<b>14 March 2007</b>	<b>2 April 2007</b>	<b>10 May 2007</b>
Expected volatility	457%	461%	474%
Expected life (in years)	5.01	5.01	5.01
Risk-free interest rate	4.2%	4.2%	4.2%
Expected dividend yield	Nil	Nil	Nil

In total, HK\$633,000 of employee compensation expense has been included in the consolidated income statement for the six months ended 30 June 2007 (2006: Nil) with a corresponding credit in equity.

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

As at 30 June 2007, the following persons, other than the directors or chief executive of the Company, had interests and short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

##### **(i) Long position in Shares**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate% of shareholding</b>
Parkfield	Beneficial owner	101,422,000 <i>(Note a)</i>	20.02%
Fung Shing	Beneficial owner	99,012,563 <i>(Note a)</i>	19.55%
Earntrade	Beneficial owner	62,661,600 <i>(Note b)</i>	12.37%
	Interests of controlled corporations	59,325,840 <i>(Note b)</i>	11.71%
Bannock	Beneficial owner	59,325,840 <i>(Note b)</i>	11.71%

(ii) Long position in underlying Shares

Name of shareholder	Capacity	Number of Shares	Approximate% of shareholding
SCI	Interests of controlled corporations	10,666,666,666 (Notes c and d)	2,105.96%
SCH	Interests of controlled corporations	10,666,666,666 (Notes c and d)	2,105.96%

Notes:

- (a) Each of Parkfield and Fung Shing was wholly owned by Mr. Ng, the Chairman of the Company.
- (b) Eartrade, which was owned as to 60%, 20% and 20% by Mr. Ng, Ms. Cheung and Mr. Gorges, directors of SCH and SCI, respectively, is the holding company of Bannock. Thus, Eartrade was deemed to be interested in the 59,325,840 Shares held by Bannock.
- (c) The Convertible Note I and Convertible Note II with the rights to convert into 5,440,000,000 Shares and 5,226,666,666 Shares respectively at a conversion price of HK\$0.075 each was issued and to be issued to Skychance, a subsidiary of SCI.
- (d) SCI was a 74.79% owned subsidiary of SCH. Thus SCH was deemed to be interested in 10,666,666,666 underlying Shares to be issued to Skychance.

Save as disclosed above, as at 30 June 2007, the Company had not been notified by any other persons, other than the directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

**DIRECTORS' INTERESTS AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS**

Mr. Ng, the Chairman and management shareholder of the Company, is also chairman of SCH, SCI and Jessica Publications Limited ("Jessica"). Mr. Ng, personally and through Parkfield, Fung Shing and Ronastar, has interest in SCH and Jessica and through SCH, has interest in SCI. Mr. Ng together with Ms. Cheung and Mr. Gorges, management shareholders of the Company and executive directors of SCH and SCI, have beneficial interests in Eartrade, which directly and indirectly through Bannock holds shares in SCH and Jessica and through SCH, has interest in SCI. Ms. Cheung and Mr. Gorges are also directors of various members of SCH and SCI and involve in the day-to-day management of SCH and SCI, particularly the property investment and development, they are regarded to be interested in such competing businesses of the Group. As Jessica and certain members of South China Media Limited, a subsidiary of SCH, are principally engaged in magazine publication, Mr. Ng is regarded to be interested in such competing businesses of the Group. Mr. Ng Yuk Fung, Peter, an executive director of the Company, is also an executive director of SCH and SCI and an executive director and the chief executive officer of Jessica. He is regarded to be interested in such competing businesses of the Group.

Ms. Ng Yuk Mui, Jessica, a non-executive director of the Company, is also a non-executive director of SCH and Jessica. She is not regarded to have any interest in business competing with the business of the Group since she is not involved in the day-to-day running of the businesses of SCH and Jessica.



Save as disclosed above (including the information of Mr. Ng, Ms. Cheung, Mr. Gorges, Mr. Ng Yuk Fung, Peter and Ms. Ng Yuk Mui, Jessica), none of the directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or may compete or had any conflicts of interest with the business of the Group.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company complied with the Code on Corporate Governance Practices (the “CG Code”) of the GEM 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 17 April 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.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for directors.

All directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding directors’ securities transaction throughout the six months ended 30 June 2007.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises three independent non-executive directors, namely Mr. Law Cho Wa, Richard (Chairman of the Committee), Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo.

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 the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

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

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

*As at the date of this report, the Board of the Company comprises (1) Mr. Ng Hung Sang, Mr. Ng Yuk Yeung, Paul, Mr. Hui Ping, Mr. Ng Yuk Fung, Peter and Dr. Tang Kam Sun as executive directors; (2) Ms. Ng Yuk Mui, Jessica as non-executive director; and (3) Mr. Law Cho Wa, Richard, Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo as independent non-executive directors.*

On behalf of the Board  
**Ng Yuk Yeung, Paul**  
*Director*

Hong Kong, 14 August 2007