



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

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

(Stock Code: 8155)

**THIRD QUARTERLY REPORT OF THE RESULTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007**

**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.

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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.*

## QUARTERLY 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 nine months ended 30 September 2007 together with the comparative unaudited figures for the corresponding periods in 2006 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2007	2006	2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>	2	<b>6,028</b>	4,784	<b>19,781</b>	17,094
Direct operating expenses		<b>(3,058)</b>	(3,076)	<b>(10,654)</b>	(11,168)
Other operating income		<b>8</b>	5	<b>21</b>	16
Selling and distribution costs		<b>(2,347)</b>	(1,832)	<b>(6,803)</b>	(5,402)
Administrative expenses		<b>(1,001)</b>	(406)	<b>(2,695)</b>	(1,268)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Loss before income tax</b>	3	<b>(370)</b>	(525)	<b>(350)</b>	(728)
Taxation	5	<b>–</b>	–	<b>–</b>	–
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Loss for the period</b>		<b><u>(370)</u></b>	<b><u>(525)</u></b>	<b><u>(350)</u></b>	<b><u>(728)</u></b>
Loss per share – Basic	7	<b><u>HK(0.07) cent</u></b>	<b><u>HK(0.10) cent</u></b>	<b><u>HK(0.07) cent</u></b>	<b><u>HK(0.14) cent</u></b>

**NOTES:**

**1 BASIS OF PRESENTATION**

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

These quarterly 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 GEM Listing Rules.

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 LOSS BEFORE INCOME TAX**

Loss before income tax for the three months and nine months ended 30 September 2007 is arrived at after charging depreciation of HK\$78,000 and HK\$261,000 respectively (three months and nine months ended 30 September 2006: HK\$101,000 and HK\$303,000 respectively).

**4 BUSINESS SEGMENT INFORMATION**

An analysis of the Group's revenue by business is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Publications	6,028	4,784	19,781	17,094
Property investment and development	—	—	—	—
	<u>6,028</u>	<u>4,784</u>	<u>19,781</u>	<u>17,094</u>

An analysis of the Group's Profit (loss) by business is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Publications	(199)	(525)	8	(728)
Property investment and development	(171)	—	(358)	—
	<u>(370)</u>	<u>(525)</u>	<u>(350)</u>	<u>(728)</u>

## 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 nine months ended 30 September 2007 (three months and nine months ended 30 September 2006: Nil). The PRC enterprise income tax is calculated at the rates prevailing in the relevant region.

## 6 DIVIDEND

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

## 7 LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2007 is based on the unaudited loss attributable to shareholders of HK\$370,000 and HK\$350,000 respectively (three months and nine months ended 30 September 2006: HK\$525,000 and HK\$728,000 respectively) and on the number of 506,498,344 shares in issue (three months and nine months ended 30 September 2006: 506,498,344 shares).

For the three months and nine months ended 30 September 2006 and 30 September 2007, no diluted loss per share has been presented as it is anti-dilutive.

## 8 MOVEMENT OF RESERVES

	Three months ended		Nine months ended	
	30 September		30 September	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(370)	(525)	(350)	(728)
Employee share-based compensation	673	–	1,306	–
Exchange realignment	1,926	–	3,303	–
Issue of convertible notes	72,629	–	148,223	–
	<u>74,858</u>	<u>(525)</u>	<u>152,482</u>	<u>(728)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Property Investment and Development

##### *Shenyang*

South China Land Plaza is designed as a shopping plaza complex, which comprises of a 7-storey composite building with 4 storeys above ground and 3 extensive floors in the basement. It will include fashion mall, underground shopping paradise, major brand department stores and a grand multi-purpose greenery space. A new schematic design for the shopping mall was tendered to the Planning Bureau of Shenyang. The reason for the new design was that after careful consideration, management believed that an internationally recognized architect would add more value to the overall planning of a shopping mall of this magnitude. As the historical Shenyang Imperial Palace (“沈陽故宮”) is in the background of the mall, the new design incorporates a theme of the past moving into the future with a more traditional looking design at the back which gradually transforms into a more futuristic design at the front facade. The end result is a design which management believes will become an iconic structure for the Zhong Jie (“中街”) pedestrian shopping area, the prime central commercial district of Shenyang city with a site area of approximately 25,000 square meters.

As a result of the resubmission of the new concept design scheme, the completion time of the shopping mall has been scheduled to the middle of 2009. We are pleased to announce that the new design has been met with enthusiasm from both the Planning Bureau and City Approval Board with a confirmed plot ratio of 2.7 for a total gross floor area of approximately 120,000 square meters.

##### *Tianjin Bohai Coastal Economic Development*

The Group is currently focusing on two types of land development projects in the new Bohai Coastal Economic Development Area of Hebei. Firstly, we are searching for commercial/residential projects at the center of towns that have been designated as part of the Economic Development Area. Our main acquisition method is via relocation of the existing tenants, of which we currently have 400,000 square meters of land. Secondly, we are looking to develop the area surrounding Huanghua Port, which will formulate part of the industrial/residential zone that stand to benefit from the proximity to the port.

The relocation project in Zhongjie (“中捷”) District have attained sufficient relocation agreements with existing tenants to begin Phase 1 development, and we are looking to pre-sell in 2008. We are concurrently investigating similar projects in nearby town centers.

After the official establishment of the Economic Development Area, we will need to increase our involvement in the port area as the demand for industrial and related supporting land uses will be even higher.

#### **Publications**

Building upon the strengthening reputation of the brand name “Capital”, the Group recorded a turnover of HK\$6,028,000 and HK\$19,781,000 for the three months and nine months ended 30 September 2007 respectively. This represents a 26% and 16% increase as compared with the corresponding period last year. Loss for the three month period reduced to HK\$199,000, representing a reduction of 62% as compared to the corresponding period last year. The overall nine month result was a net gain of HK\$8,000; the first time the publication business has achieved break-even in the first nine months.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2007 the Group had net current assets of HK\$32.88 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 September 2007, the Group's long term bank borrowing was guaranteed by South China (China) Limited ("SCC") (formerly known as South China Industries Limited). The gearing ratio, based on the Group's long-term bank borrowings of HK\$80 million (2006: Nil) and the Group's total equity (including minority interest) of HK\$285 million, is approximately 28% (2006: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

During the period, the Group acquired the entire equity interest in Praise Rich Limited ("Praise Rich") from a subsidiary of SCC for a total consideration of HK\$800 million by way of issuance of two convertible notes of the Company to Skychance Group Limited ("Skychance"), details of which were disclosed in the two circulars of the Company dated 12 February 2007 and 13 June 2007 respectively.

## **POST BALANCE SHEET EVENT**

On 26 October 2007, Skychance, a subsidiary of SCC, conditionally agreed to acquire 346,709,203 shares of the Company from Mr. Ng Hung Sang, the Chairman and controlling shareholder of the Company, and his associates, representing approximately 68.45% of the issued share capital of the Company, for an aggregate consideration of HK\$97,078,576.84.

Subject to the approval by the independent shareholders of SCC and South China Holdings Limited ("SCH") and upon completion, Skychance will make (i) unconditional mandatory cash offer of HK\$0.33 per share for all of the then issued shares of the Company not already beneficially owned or agreed to be acquired by Skychance and parties acting in concert with it and (ii) unconditional mandatory cash offers of HK\$0.1134, HK\$0.02 and HK\$0.015 (as the case may be) for all outstanding share options not held by Skychance and parties acting in concert with it.

The ultimate control of the Company will not be changed as a result of the transaction and offers mentioned above. Details of the transaction and the offers were disclosed in the joint announcement of the Company, SCC and SCH dated 26 October 2007.

## **PROSPECTS**

### **Property Investment and Development**

#### *Shenyang*

Foundation work of South China Land Plaza is scheduled to complete before the end of the year with substructure work to continue until late January 2008 due to extreme cold weather during the winter. With the expected strong growth in consumer demand within the area, many worldwide brand names will either establish its flagship stores or opened up additional stores in Shenyang in the coming future, this will create a high demand for superb retail space in prime location. At present, there are only a limited number of shopping malls in the vicinity targeted towards the upper end of the consumer market, supply of retail space for such worldwide brand names is limited. This is especially the case if we take into consideration that these premier shopping malls are already at close to full occupancy. We are confident that the launch of South China Land Plaza in 2008 will receive positive responses from the retailers.

The Group is in the process of obtaining two pieces of land in the prime location of Shenyang. The land covers a total site area of 65,000 square metres with a buildable gross floor area of approximately 520,000 square metres intended for commercial development.

#### *Other property development*

The Group has also identified potential development projects of a significant scale in areas of Chongqing, Wuhan, Xian, Nanjing and Tianjin. Feasibility studies and negotiation of the terms are in progress.

The Board believes that benefiting from its early mover advantage, in terms of long established network since 1990's, extensive local experience and good understanding of the cultural environment in China will bring a lot of investment opportunities to the Group.

#### **Publications**

The booming local stock market along with the various positive forecasts of the local property market and banking industry may benefit the Group's publication business. The Group will continue to manage a cautious approach on exploring new sources of revenue and cost control.

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

As at 30 September 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	326,708,403 (Note a)	64.51

##### **(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 326,708,403 Shares referred to above included 120,000 Shares held by Skychance, a wholly-owned subsidiary of SCC, 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”) 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 controlled corporations, had interests in 487,949,760 shares in SCH. Mr. Ng personally owned 71,652,200 shares in SCH and through controlled corporations, beneficially owned 784,579,852 shares in SCH.
- (c) The convertible notes I and 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 were issued to Skychance. By virtue of Note (b) above and SCC was a subsidiary of SCH, Mr. Ng was taken to have a duty of disclosure in relation to the said underlying Shares.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 30 September 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.

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

As at 30 September 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

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

(ii) Long position in underlying Shares

Name of shareholder	Capacity	Number of Shares	Approximate% of shareholding
SCC	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.
- (b) Eartrade, which was owned as to 60%, 20% and 20% by Mr. Ng, Ms. Cheung and Mr. Gorges, 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 notes I and 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 were issued to Skychance.
- (d) SCC 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 September 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 and SCC. Mr. Ng, personally and through controlled corporations, has interest in SCH and through SCH, has interest in SCC. Mr. Ng together with Ms. Cheung and Mr. Gorges, management shareholders of the Company and also executive directors of SCH and SCC, have beneficial interests in Earntrade, which directly and indirectly holds shares in SCH and through SCH, has interest in SCC. Ms. Cheung and Mr. Gorges involve in the day-to-day management of SCH and SCC, particularly the property investment and development, they are regarded to be interested in such competing businesses of the Group. As certain members of SCH are principally engaged in publication business, and Mr. Ng is the controlling shareholder and director of a private limited company, which engages in publication business, 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 SCC and a director of a private limited company which engages in publication business, 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 SCC and a director of a private company which engages in publication business. 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, SCC and the Company.

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.

## **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 (Chairman of the Committee), Dr. Lo Wing Yan, William, *JP* and Mr. Cheng Yuk Wo.

The Group's unaudited results for the nine months ended 30 September 2007 had 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 nine months ended 30 September 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 and Mr. Ng Yuk Fung, Peter 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 Hung Sang**  
*Chairman*

Hong Kong, 13 November 2007