



**SOUTH CHINA LAND LIMITED**

**南華置地有限公司**

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

(Stock Code: 8155)

**FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2008**

**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 (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 the Growth Enterprise Market 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: (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 announced that the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2008, together with the comparative unaudited figures for the corresponding period in 2007, as follows:

### CONSOLIDATED INCOME STATEMENT - UNAUDITED

|   |              | Three months ended<br>31 March |                                       |
|---|--------------|--------------------------------|---------------------------------------|
|   | <i>Notes</i> | 2008<br><i>HK\$'000</i>        | 2007<br><i>HK\$'000</i><br>(Restated) |
| <b>Revenue</b>                              | 3 & 4        | 7,924                          | 6,670                                 |
| Direct operating expenses                   |              | (4,222)                        | (4,149)                               |
| Other operating income/(expenses)           |              | (389)                          | 7                                     |
| Selling and distribution costs              |              | (2,356)                        | (2,460)                               |
| Administrative and other operating expenses |              | <u>(4,875)</u>                 | <u>(754)</u>                          |
| <b>Operating loss</b>                       | 5            | (3,918)                        | (686)                                 |
| Finance costs                               | 6            | <u>(6,798)</u>                 | <u>(762)</u>                          |
| <b>Loss before income tax</b>               |              | (10,716)                       | (1,448)                               |
| Income tax expense                          | 7            | <u>—</u>                       | <u>—</u>                              |
| <b>Loss for the period</b>                  |              | <u><u>(10,716)</u></u>         | <u><u>(1,448)</u></u>                 |
| <b>Loss attributable to:</b>                |              |                                |                                       |
| Equity holders of the Company               |              | (10,125)                       | (1,448)                               |
| Minority interests                          |              | <u>(591)</u>                   | <u>—</u>                              |
|   |              | <u><u>(10,716)</u></u>         | <u><u>(1,448)</u></u>                 |
| <b>Loss per share</b>                       | 9            |                                |                                       |
| –Basic                                      |              | <u><u>HK(2.0) cent</u></u>     | <u><u>HK(0.3) cent</u></u>            |
| –Diluted                                    |              | <u><u>N/A</u></u>              | <u><u>N/A</u></u>                     |

## NOTES:

### 1. BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months ended 31 March 2008 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 2007 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 and the disclosure requirements of 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 2007.

### 2. RESTATEMENT OF COMPARATIVE FIGURES

Certain comparative figures had been restated to conform with the current period's presentation. The non-cash imputed interest on the zero-coupon convertible notes in an amount of HK\$762,000 was expensed to the consolidated income statement, instead of capitalized as construction in progress on the consolidated balance sheet as shown in the first quarterly report for the three months ended 31 March 2007. The restatement had led to an increase in the loss for the three months ended 31 March 2007 by HK\$762,000.

### 3. REVENUE

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

### 4. SEGMENT INFORMATION

#### Business segments

|  | Three months ended<br>31 March |                             | Three months ended<br>31 March                                     |  |
|--|--------------------------------|-----------------------------|--|--|
|  | 2008<br>Revenue<br>HK\$'000    | 2007<br>Revenue<br>HK\$'000 | 2008<br>Contribution<br>to operating<br>profit/ (loss)<br>HK\$'000 | 2007<br>Contribution<br>to operating<br>profit/ (loss)<br>HK\$'000 |
| Publications                           | 7,924                          | 6,670                       | 287  | (399)  |
| Property investment and<br>development | –                              | –                           | (4,618)  | –  |
| Unallocated                            | –                              | –                           | 413  | (287)  |
|  | <u>7,924</u>                   | <u>6,670</u>                | <u>(3,918)</u>   | <u>(686)</u>   |

#### Geographical segments

No geographical segment is presented as all revenue is sourced from Hong Kong.

### 5. OPERATING LOSS

Operating loss for the three months ended 31 March 2008 is arrived at after charging depreciation of approximately HK\$89,000 (three months ended 31 March 2007: HK\$96,000).

6. FINANCE COSTS

|   | Three months ended<br>31 March |                 |
|---|--------------------------------|-----------------|
|   | 2008                           | 2007            |
|   | <i>HK\$'000</i>                | <i>HK\$'000</i> |
| Interest charged on bank borrowings repayable within five years | 1,261                          | –               |
| Non-cash imputed interest on convertible notes                  | 6,798                          | 762             |
|   | <hr/>                          | <hr/>           |
| Total interest  | 8,059                          | 762             |
| Less: Interest capitalized on construction in progress          | (1,261)                        | –               |
|   | <hr/>                          | <hr/>           |
|   | <b>6,798</b>                   | <b>762</b>      |
|   | <hr/> <hr/>                    | <hr/> <hr/>     |

7. INCOME TAX EXPENSE

No Hong Kong profits tax was provided as the Group had no estimated assessable profit arising in or derived from Hong Kong during the three months ended 31 March 2008 (three months ended 31 March 2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdiction in which the Group operates, based on existing legislation interpretations and practices in respect thereof.

8. DIVIDEND

The Board resolved not to declare the payment of a dividend for the three months ended 31 March 2008 (three months ended 31 March 2007: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the three months ended 31 March 2008 is based on the unaudited loss attributable to equity holders of the Company of HK\$10,125,000 (three months ended 31 March 2007: HK\$1,448,000) and on 506,498,344 shares in issue (three months ended 31 March 2007: 506,498,344 shares).

Diluted loss per share for both periods were not presented because the impact of the exercise of the share options and the conversion of convertible notes was anti-dilutive.

10. MOVEMENT OF RESERVES

|                                   | Three months ended<br>31 March |                 |
|-----------------------------------|--------------------------------|-----------------|
|                                   | 2008                           | 2007            |
|                                   | <i>HK\$'000</i>                | <i>HK\$'000</i> |
| Loss for the period               | (10,125)                       | (1,448)         |
| Exchange realignment              | 21,709                         | –               |
| Issue of convertible notes        | –                              | 75,594          |
| Employee share-based compensation | 604                            | 35              |
|                                   | <hr/>                          | <hr/>           |
|                                   | <b>12,188</b>                  | <b>74,181</b>   |
|                                   | <hr/> <hr/>                    | <hr/> <hr/>     |

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Revenue, purely generated from publication business, for the period was increased to HK\$7.9 million from HK\$6.7 million for the same period last year. Net loss for the period was HK\$10.7 million.

### **BUSINESS REVIEW**

#### **Property development**

The Company's project in Shenyang is not affected by government policies to slow the economy and some over-heated sectors. Progress on the project will soon speed up as the Company is now inviting tender from main contractors. The commercial district where our project is situated remains buoyant and is attracting traffic from neighbouring cities and overseas tourists. As a result, rental yields are increasing and thus is attracting more interest from several property developers.

During the period, we have also acquired another relocation project in the commercial district of Nandagang (南大港) which is another town near the port of Huanghua, Tianjin. The project involves relocation of 620,000 square metres of site area, and the eventual relocation costs and selling price are both expected to be higher than that of Zhongjie (中捷).

#### **Publication**

Revenue for the first quarter of 2008 increased by 19% to HK\$7.9 million from HK\$6.7 million for the same period last year, mainly because of more events are being organized during the period. Net profit of HK\$0.29 million was recorded during the period as compared to a loss of HK\$0.4 million last year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the three months ended 31 March 2008, the Group's operation was financed by the internal financial resources, amounts due to related companies, convertible notes and banking facilities granted to the Group.

As at 31 March 2008, the Group had net current liabilities of HK\$48.6 million (31 December 2007: HK\$48.5 million).

As at 31 March 2008, the Group had a gearing ratio of 19.2% (31 December 2007: 20.3%). The gearing ratio is computed on comparing the Group's total non-current bank borrowings of HK\$56 million to the Group's equity of HK\$292 million.

The Board is of the opinion that, after taking into account the guarantee made by South China (China) Limited, an intermediate holding company of the Company, to subsidiaries of the Company, banking facilities granted to the Group and the internal financial resources of the Group, the Group has sufficient working capital for its present requirements for at least the next 12 months.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the three months ended 31 March 2008, the Group did not make any material acquisitions and disposals.

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

During the three months ended 31 March 2008, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

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

As at 31 March 2008, the Group pledged an investment property of the subsidiary to secure banking facilities and did not have any contingent liabilities.

## PROSPECTS

The gradual relaxing of the macro economic policies will slowly revive market sentiment and bring back stable growth in property prices. Premium commercial areas are still in high demand. Supplies of prime plots are snapped up at a very high rate.

The increasing pedestrian flow in Zhong Jie, the advent of the operation of the mass transit rail system in Shenyang and the increasing consumer spending are all positive factors for the Shenyang project. The Group will also be one of the first developer to complete a sizable commercial development in the city project and will enjoy a first mover advantage.

The relocation project in Zhongjie (中捷), Cangzhou/Hebei has begun pre-selling in April 2008. Up to the end of April 2008 and 73% of the available residential units and 12% of the available commercial units have been sold. Overall, sales have been slightly slower than expected but the average sales price so far is outperforming our target sales price. The relocation of Phase 1 has also been completed and the negotiations for Phase 2 relocation has begun.

The relocation projects in both Zhongjie (中捷) and Nandagang (南大港) are expected to proceed smoothly. Relocation negotiations of Phase 2 of Zhongjie and Phase 1 of Nandagang are expected to be finalized within the second quarter. It is expected that the costs of relocation and selling price will continue to rise so it is in the best interests of the Group to proceed as quickly as possible. The Company's interest in property development in the port area of Huanghua is still very strong. The Company will seek to acquire more similar projects in the area.

The Group expects to focus its substantial resources in property development and investment. In the long run, the scale of the property projects, in terms of revenue and assets, will outweigh the publishing business significantly. Accordingly, the Group is reviewing proposals on restructuring of publishing business to allow better deployment of the Group's assets and resources.

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

As at 31 March 2008, 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, or otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors of the listed issuers, were as follows:

### A. The Company

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

| Name of Director           | Capacity                            | Number of Shares        | Approximate % of issued share capital |
|----------------------------|-------------------------------------|-------------------------|---------------------------------------|
| Ng Hung Sang<br>("Mr. Ng") | Interest of controlled corporations | 347,338,203<br>(Note b) | 68.58%                                |

#### (II) Long position in underlying Shares

Convertible Notes

| Name of Director | Capacity                            | Number of underlying Shares | Approximate % of issued share capital |
|------------------|-------------------------------------|-----------------------------|---------------------------------------|
| Mr. Ng           | Interest of controlled corporations | 10,666,666,666<br>(Note c)  | 2,105.96%                             |

Share options

| Name of Director   | Capacity         | Number of underlying Shares | Approximate % of issued share capital |
|--------------------|------------------|-----------------------------|---------------------------------------|
| Ng Yuk Yeung, Paul | Beneficial owner | 5,000,000                   | 0.99%                                 |
| Ng Yuk Fung, Peter | Beneficial owner | 5,000,000                   | 0.99%                                 |

*Note:*

These share options were granted on 14 March 2007 at an exercise price of HK\$0.2166 per share with exercisable periods as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant.

## B. Associated corporations

### (I) Long position in shares

#### (i) South China Holdings Limited (“SCH”) (Note d)

| Name of Director | Capacity                            | Number of shares | Total number of shares    | Approximate % of issued share capital |
|------------------|-------------------------------------|------------------|---------------------------|---------------------------------------|
| Mr. Ng           | Beneficial owner                    | 71,652,200       | 1,344,181,812<br>(Note e) | 73.72%                                |
|                  | Interest of controlled corporations | 1,272,529,612    |                           |                                       |

#### (ii) South China (China) Limited (“SCC”) (Note a)

| Name of Director | Capacity                            | Number of shares          | Approximate % of issued share capital |
|------------------|-------------------------------------|---------------------------|---------------------------------------|
| Mr. Ng           | Interest of controlled corporations | 1,983,206,785<br>(Note f) | 74.78%                                |

#### (iii) South China Financial Holdings Limited (“SCFH”) (Note g)

| Name of Director | Capacity                            | Number of shares          | Approximate % of issued share capital |
|------------------|-------------------------------------|---------------------------|---------------------------------------|
| Mr. Ng           | Interest of controlled corporations | 3,660,502,500<br>(Note h) | 72.79%                                |

(iv) South China Financial Credits Limited (“SCFC”) (Note i)

| Name of Director   | Capacity         | Number of shares | Approximate % of issued share capital |
|--------------------|------------------|------------------|---------------------------------------|
| Ng Yuk Fung, Peter | Beneficial owner | 250,000          | 0.59%                                 |
| Ng Yuk Yeung, Paul | Beneficial owner | 250,000          | 0.59%                                 |

(v) Prime Prospects Limited (“Prime Prospects”) (Note j)

| Name of Director | Capacity                             | Number of shares | Approximate % of issued share capital |
|------------------|--------------------------------------|------------------|---------------------------------------|
| Mr. Ng           | Interest of a controlled corporation | 30               | 30%                                   |

(II) Long position in underlying shares

(i) SCH

Share options

| Name of Director    | Capacity         | Number of underlying shares | Approximate % of issued share capital |
|---------------------|------------------|-----------------------------|---------------------------------------|
| Ng Yuk Yeung, Paul  | Beneficial owner | 18,000,000                  | 0.99%                                 |
| Ng Yuk Fung, Peter  | Beneficial owner | 18,000,000                  | 0.99%                                 |
| Ng Yuk Mui, Jessica | Beneficial owner | 18,000,000                  | 0.99%                                 |

Note:

These share options were granted on 18 September 2007 at an exercise price of HK\$2.00 per share with exercisable periods as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant.



(ii) SCC

Warrants (Note k)

| <b>Name of Director</b> | <b>Capacity</b>                     | <b>Number of underlying shares</b> | <b>Approximate % of issued share capital</b> |
|-------------------------|-------------------------------------|------------------------------------|--|
| Mr. Ng                  | Interest of controlled corporations | 396,641,357<br>(Note l)            | 14.96%                                       |

Share options

| <b>Name of Director</b> | <b>Capacity</b>  | <b>Number of underlying shares</b> | <b>Approximate % of issued share capital</b> |
|-------------------------|------------------|------------------------------------|--|
| Ng Yuk Fung, Peter      | Beneficial owner | 26,000,000                         | 0.98%  |
| Ng Yuk Yeung, Paul      | Beneficial owner | 26,000,000                         | 0.98%  |

Note:

These share options were granted on 18 September 2007 at an exercise price of HK\$1.50 per share with exercisable periods as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant.

(iii) SCFH

Warrants (Note m)

| <b>Name of Director</b> | <b>Capacity</b>                     | <b>Number of underlying shares</b> | <b>Approximate % of issued share capital</b> |
|-------------------------|-------------------------------------|------------------------------------|--|
| Mr. Ng                  | Interest of controlled corporations | 732,100,500<br>(Note n)            | 14.56%                                       |

Share options

| <b>Name of Director</b> | <b>Capacity</b>  | <b>Number of underlying shares</b> | <b>Approximate % of issued share capital</b> |
|-------------------------|------------------|------------------------------------|--|
| Ng Yuk Fung, Peter      | Beneficial owner | 50,000,000                         | 0.99%  |
| Ng Yuk Yeung, Paul      | Beneficial owner | 50,000,000                         | 0.99%  |

Note:

Each of Mr. Ng Yuk Fung, Peter and Mr. Ng Yuk Yeung, Paul was granted with share options to subscribe for 30,000,000 shares and 20,000,000 shares on 16 March 2006 and 26 April 2006 respectively at an exercise price of HK\$0.128 per share with exercisable periods as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant.

*Notes:*

- (a) SCC is a 74.78% owned subsidiary of SCH.
- (b) By virtue of Notes (a) and (e), Mr. Ng has a duty of disclosure under SFO in relation to 347,338,203 Shares held by certain wholly-owned subsidiaries of SCC.
- (c) These are the two convertible notes issued to a subsidiary of SCC, which are attached with the rights to convert into 5,440,000,000 underlying Shares and 5,226,666,666 underlying Shares respectively at a conversion price of HK\$ 0.075 per Share. By virtue of Notes (a) and (e), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 10,666,666,666 underlying Shares.
- (d) SCH is the holding company of SCC and the ultimate holding company of the Company.
- (e) Mr. Ng, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, through controlled corporations, have interest in 487,949,760 shares of SCH. In addition, Mr. Ng personally owns 71,652,200 shares of SCH and through controlled corporations, beneficially owns 784,579,852 shares of SCH.
- (f) By virtue of Notes (a) and (e), Mr. Ng has a duty of disclosure under SFO in relation to 1,983,206,785 shares of SCC held by certain wholly-owned subsidiaries of SCH.
- (g) SCFH is a 72.79% owned subsidiary of SCH.
- (h) By virtue of Notes (e) and (g), Mr. Ng has a duty of disclosure under SFO in relation to 3,660,502,500 shares of SCFH held by certain wholly-owned subsidiaries of SCH.
- (i) SCFC is a 98.42% owned subsidiary of SCFH.
- (j) Prime Prospects is a 70% owned subsidiary of SCC.
- (k) These are warrants of SCC which entitle the holders thereof to subscribe at any time during the period from 7 September 2007 to 6 September 2010 (both days inclusive) for fully paid shares of SCC at an initial subscription price of HK\$0.40 per share (subject to adjustments).
- (l) By virtue of Notes (a) and (e), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 396,641,357 underlying shares of SCC to be subscribed under warrants of SCC held by certain wholly-owned subsidiaries of SCH.
- (m) These are warrants of SCFH which entitle the holders thereof to subscribe at any time during the period from 23 October 2007 to 22 October 2008 (both days inclusive) for fully paid shares of SCFH at an initial subscription price of HK\$0.168 per share (subject to adjustments).
- (n) By virtue of Notes (e) and (g), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 732,100,500 underlying shares of SCFH to be subscribed under warrants of SCFH held by certain wholly-owned subsidiaries of SCH.

Saved as disclosed above, none of the Directors or Chief Executive of the Company had registered, as at 31 March 2008, 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 which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by directors of listed issuers.

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

As at 31 March 2008, the following person, other than the Directors or Chief Executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

### (i) Long position in the Shares

| Name of shareholder | Capacity                            | Number of Shares held   | Approximate % of issued share capital |
|---------------------|-------------------------------------|-------------------------|---------------------------------------|
| SCC                 | Interest of controlled corporations | 347,338,203<br>(Note a) | 68.58%                                |
| SCH                 | Interest of controlled corporations | 347,338,203<br>(Note b) | 68.58%                                |

### (ii) Long position in the underlying shares of the Company

| Name of shareholder | Capacity                            | Number of underlying Shares | Approximate % of issued share capital |
|---------------------|-------------------------------------|-----------------------------|---------------------------------------|
| SCC                 | Interest of controlled corporations | 10,666,666,666<br>(Note c)  | 2,105.96%                             |
| SCH                 | Interest of controlled corporations | 10,666,666,666<br>(Note c)  | 2,105.96%                             |

#### Notes:

- (a) By virtue of 347,338,203 Shares are held by certain wholly owned subsidiaries of SCC, SCC is deemed to be interested in the said Shares.
- (b) By virtue of SCC is a 74.78% owned subsidiary of SCH, SCH is deemed to be interested in the 347,338,203 Shares as stated in Note (a).
- (c) By virtue of Notes (a) and (b), each of SCC and SCH is deemed to be interested in the two convertible notes issued to a subsidiary of SCC, which are attached with the rights to convert into 5,440,000,000 underlying Shares and 5,226,666,666 underlying Shares respectively at a conversion price of HK\$0.075 per Share.

Save as disclosed above, as at 31 March 2008, no persons, other than the Directors or Chief Executive whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered any interests or short positions in the Shares and underlying Shares of the Company as recorded in the register which was required to be kept under Section 336 of the SFO.

## **DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES**

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 controlling interest in the Company, SCH and SCC, in which certain corporate interests as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" are held by Mr. Ng jointly with Ms. Cheung Choi Ngor ("Ms. Cheung") and Mr. Richard Howard Gorges ("Mr. Gorges"). Since certain subsidiaries of SCH are principally engaged in property development and investment and publication business and certain subsidiaries of SCC are principally engaged in property development and investment, Mr. Ng is regarded as interested in such competing businesses with the Group. As Ms. Cheung and Mr. Gorges are also executive directors of SCH and SCC and involve in the day-to-day management of SCH and SCC, they are regarded as interested in such competing businesses with the Group. In February 2008, the publication business of SCH (excluding those of the Group) was sold to a controlled corporation of Mr. Ng.

Mr. Ng Yuk Fung, Peter ("Mr. Peter Ng"), an Executive Director of the Company, is also an executive director of SCH and SCC. He is regarded as interested in such competing businesses with the Group.

Mr. Ng, Mr. Peter Ng and Ms. Ng Yuk Mui, Jessica ("Ms. Jessica Ng", a Non-executive Director of the Company) are directors of a private group which operates publication business and Mr. Ng is the controlling shareholder of the private group. As such, each of Mr. Ng, Mr. Peter Ng and Ms. Jessica Ng is regarded to be interested in such competing business with the Group.

Save as disclosed above, none of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates has any interest in a business which competes or may compete or has any conflicts of interest with the businesses 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 include the review of the Group's audit plan and process with the Auditors, the independence of the Auditors, the Group's financial statements and system of internal control. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman of the Committee), Dr. Lo Wing Yan, William, JP and Ms. Pong Oi Lan, Scarlett.

The Group's unaudited results for the three months ended 31 March 2008 were 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 were 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 three months ended 31 March 2008.

*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. Cheng Yuk Wo, Dr. Lo Wing Yan, William, JP and Ms. Pong Oi Lan, Scarlett as Independent Non-executive Directors.*

On behalf of the Board  
**Ng Hung Sang**  
Chairman

Hong Kong, 13 May 2008