



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 2008**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

INTERIM RESULTS

The Board of Directors (the “Board”) of South China Land Limited 南華置地有限公司 (“the Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2008, together with the comparative unaudited figures for the corresponding period in 2007, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited and restated)	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited and restated)
Revenue	3	10,472	7,083	18,396	13,753
Direct operating expenses		(4,457)	(3,447)	(8,679)	(7,596)
Other operating income		548	10	159	17
Selling and distribution costs		(3,998)	(2,335)	(6,354)	(4,795)
Administrative expenses		(3,783)	(1,741)	(8,658)	(2,495)
Operating loss	4	(1,218)	(430)	(5,136)	(1,116)
Finance costs	6	(7,169)	(3,804)	(13,967)	(4,566)
Loss before income tax		(8,387)	(4,234)	(19,103)	(5,682)
Taxation	7	—	—	—	—
Loss for the period		<u>(8,387)</u>	<u>(4,234)</u>	<u>(19,103)</u>	<u>(5,682)</u>
Attributable to:					
Equity holders of the Company		(8,271)	(3,883)	(18,396)	(5,331)
Minority interests		(116)	(351)	(707)	(351)
		<u>(8,387)</u>	<u>(4,234)</u>	<u>(19,103)</u>	<u>(5,682)</u>
Loss per share					
– Basic	9	<u>HK1.63 cents</u>	<u>HK0.77 cent</u>	<u>HK3.63 cents</u>	<u>HK1.05 cents</u>
– Diluted	9	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2008 <i>HK\$'000</i> (Unaudited)	As at 31 December 2007 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	917	710,031
Goodwill		355,271	355,271
Recoverable from an intermediate holding company and a fellow subsidiary		88,777	88,777
Prepayments		4,868	6,564
		<u>449,833</u>	<u>1,160,643</u>
Current assets			
Trade receivables	11	5,047	4,780
Property under development	10	815,645	–
Amount due from a minority shareholder of a subsidiary		12,359	12,561
Prepayments and other receivables		13,495	8,563
Bank balances and cash		36,062	19,702
		<u>882,608</u>	<u>45,606</u>
Current liabilities			
Trade payables	12	4,536	4,590
Other payables, accruals and receipts in advance		10,127	4,866
Amount due to an intermediate holding company		139,405	46,553
Amount due to a fellow subsidiary		–	962
Amount due to related parties		762	10,200
Amount due to a director		–	2,898
Bank borrowings		12,000	24,000
		<u>166,830</u>	<u>94,069</u>
Net current assets/(liabilities)		715,778	(48,463)
Total assets less current liabilities		1,165,611	1,112,180
Non-current liabilities			
Bank borrowings		97,524	56,000
Convertible notes		683,526	669,559
Deferred tax liabilities		110,971	110,971
		<u>892,021</u>	<u>836,530</u>
Net assets		<u>273,590</u>	<u>275,650</u>
Capital and reserves			
Share capital		5,065	5,065
Share premium and reserves		156,595	158,094
		<u>161,660</u>	<u>163,159</u>
Equity attributable to equity holders of the Company		161,660	163,159
Minority interests		111,930	112,491
		<u>273,590</u>	<u>275,650</u>
Total equity		<u>273,590</u>	<u>275,650</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Equity attributable to equity holder of the Company									
	Share capital	Share premium	Capital reserve	Employee compensation reserve	Exchange reserve	Convertible note equity reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	5,065	11,483	6,044	-	-	-	(21,596)	996	-	996
Loss for the period (as restated)	-	-	-	-	-	-	(5,331)	(5,331)	(351)	(5,682)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	234,014	234,014
Issue of convertible notes	-	-	-	-	-	75,594	-	75,594	-	75,594
Equity-settled share-based compensation	-	-	-	633	-	-	-	633	-	633
Exchange realignment	-	-	-	-	2,681	-	-	2,681	-	2,681
At 30 June 2007 (as restated)	<u>5,065</u>	<u>11,483</u>	<u>6,044</u>	<u>633</u>	<u>2,681</u>	<u>75,594</u>	<u>(26,927)</u>	<u>74,573</u>	<u>233,663</u>	<u>308,236</u>
At 1 January 2008	5,065	11,483	6,044	1,951	32,861	148,232	(42,477)	163,159	112,491	275,650
Loss for the period	-	-	-	-	-	-	(18,396)	(18,396)	(707)	(19,103)
Equity-settled share-based compensation	-	-	-	861	-	-	-	861	-	861
Exchange realignment	-	-	-	-	16,036	-	-	16,036	146	16,182
At 30 June 2008	<u>5,065</u>	<u>11,483</u>	<u>6,044</u>	<u>2,812</u>	<u>48,897</u>	<u>148,232</u>	<u>(60,873)</u>	<u>161,660</u>	<u>111,930</u>	<u>273,590</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited and restated)
Net cash used in operating activities	(105,754)	(8,524)
Net cash used in investing activities	(262)	(9,437)
Net cash from financing activities	<u>122,376</u>	<u>24,595</u>
Net increase in cash and cash equivalents	16,360	6,634
Cash and cash equivalents, beginning of the period	<u>19,702</u>	<u>1,388</u>
Cash and cash equivalents, end of the period	<u><u>36,062</u></u>	<u><u>8,022</u></u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<u><u>36,062</u></u>	<u><u>8,022</u></u>

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months and six months ended 30 June 2008 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 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 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 interim 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\$4,229,000 and indirect expenses in an amount of HK\$1,473,000 were expensed to the consolidated income statement, instead of capitalized as construction in progress on the consolidated balance sheet as shown in the interim report for the six months ended 30 June 2007. The restatement had led to an increase in the loss for the six months ended 30 June 2007 by HK\$5,702,000.

3. REVENUE

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

4. OPERATING LOSS

Operating loss for the three months and six months ended 30 June 2008 is arrived at after charging depreciation of HK\$96,000 and HK\$185,000 respectively (three months and six months ended 30 June 2007: HK\$96,000 and HK\$183,000 respectively).

5. SEGMENT INFORMATION

(a) Business segments

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

	Turnover		Operating profit/(loss)	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Publications	18,396	13,753	185	1,114
Property investment and development	–	–	(3,741)	(1,140)
Unallocated	–	–	(1,580)	(1,090)
	<u>18,396</u>	<u>13,753</u>	<u>(5,136)</u>	<u>(1,116)</u>

(b) Geographical segments

An analysis of the Group's revenue and operating loss by geographical location are as follows:

	Turnover		Operating profit/(loss)	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Hong Kong	18,396	13,753	(1,395)	24
Other regions of the People's Republic of China	—	—	(3,741)	(1,140)
	<u>18,396</u>	<u>13,753</u>	<u>(5,136)</u>	<u>(1,116)</u>

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited and restated)
Interest charged on bank borrowings repayable within five years	968	2,357	2,229	2,357
Non-cash imputed interest on convertible notes	7,169	3,467	13,967	4,229
Others	—	337	—	337
Total interest	8,137	6,161	16,196	6,923
Less: interest capitalized on property under development/construction in progress	(968)	(2,357)	(2,229)	(2,357)
	<u>7,169</u>	<u>3,804</u>	<u>13,967</u>	<u>4,566</u>

7. 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 2008 (three months and six months ended 30 June 2007: Nil).

8. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2008 is based on the unaudited loss attributable to the equity holders of the Company of HK\$8,271,000 and HK\$18,396,000 respectively (three months and six months ended 30 June 2007: unaudited loss of HK\$3,883,000 and HK\$5,331,000 respectively) and on the number of 506,498,344 shares in issue (three months and six months ended 30 June 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. PROPERTY, PLANT AND EQUIPMENT/PROPERTY UNDER DEVELOPMENT

During the period, the cost of construction in progress for building of the commercial complex in Shenyang, the PRC was reclassified from Property, Plant and Equipment to Property Under Development to signify the intention of the said property being held for sale.

11. 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 2008 <i>HK\$'000</i> (Unaudited)	As at 31 December 2007 <i>HK\$'000</i> (Audited)
0 – 30 days	1,914	1,778
31 – 60 days	1,693	1,638
61 – 90 days	725	411
91 – 180 days	430	731
Over 180 days	285	222
	<u>5,047</u>	<u>4,780</u>

12. TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2008 <i>HK\$'000</i> (Unaudited)	As at 31 December 2007 <i>HK\$'000</i> (Audited)
0 – 30 days	1,007	1,080
31 – 60 days	347	1,457
61 – 90 days	235	777
91 – 180 days	2,016	863
Over 180 days	931	413
	<u>4,536</u>	<u>4,590</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2008, the Group recorded a net loss of HK\$19.1 million, of which HK\$14.0 million was non-cash imputed interest on convertible notes and HK\$5.1 million was operating loss. For the three months ended 30 June 2008, the net loss was HK\$8.4 million, which comprised of HK\$7.2 million of non-cash imputed interest on convertible notes and HK\$1.2 million of operating loss.

In the same corresponding periods last year, the Group recorded net loss of HK\$5.7 million and HK\$4.2 million for the six months and three months ended 30 June 2007 respectively. A direct comparison of the current period results with the previous period is however not appropriate as the Group diversified its business activities to property development since March 2007. The increase in loss over the two periods was substantially accounted for the non-cash imputed interest on convertible notes according to the prevailing accounting standards and is unrelated to operating performance.

Business Review

Property Investment and Development

There was no turnover recorded for this segment during the first half of 2008 as the property projects held by the Group are still at their initial stage of development. The management has imposed strict control on the usage of fund and hence, the operating loss incurred by this segment was at a fair level of HK\$3.7 million amidst increasing operating costs for the first half of 2008.

Shenyang property project

Building of the upscale 7-storey shopping complex with around 117,000 square metres of GFA, South China Landmark Plaza, located in the prime commercial district with heavy pedestrian flow of the Shenyang City is well underway. The evacuation and soil anchor work of the construction site was completed in the second quarter of 2008. The Group is in the final stage of appointing principal contractor and the construction work of the superstructure is expected to commence in early August 2008. The negotiation work with Shenyang local government for the construction of underground direct connection between our shopping mall and the mass transit railway is constructive and the progress is satisfactory.

Cangzhou/Hebei property projects

Pre-sale of the Zhongjie (中捷) relocation and redevelopment project of 420,000 square metre site area in the Tianjin-Bohai Coastal Economic Development Site, started in April 2008 and the result was encouraging. Up to the end of June 2008, about 70% of the available units (i.e. 7,000 square metres) were sold and recognized as receipt in advance. It is expected that the construction work of Phase 1 (of 10,000 square metres) will be completed in December 2008, while Phase 2 relocation is expected to proceed by the fourth quarter of 2008.

In June 2008, we signed a contract with the Zhongjie government to jointly develop a further 866,000 square metres of high-class commercial/residential area. The project will be developed in stages with the first stage involving roughly one tenth of the total site area.

In the first quarter of 2008, we newly acquired another relocation project in the commercial district of Nandagang (南大港), which is another town near the port of Huanghua, Tianjin involving relocation of 620,000 square metres of site area. We are currently finalizing development plans for initial 72,000 square metres of saleable floor area.

In June 2008, we signed a framework agreement to develop a third relocation project in the commercial district of Huanghua City (黃驊市). The project involves relocation of roughly 450,000 square metres of site area. Details of the terms and conditions for the development are subject to further discussion and negotiation. We consider the future commercial value and thus its profit margin for this redevelopment project is promising.

Chongqing Nanchuan (重慶南川) property project

During the period, we also signed an agreement with Chongqing Nanchuan Municipal Government in relation to a property development project that covers up to 13,334,000 square metres of suburban area in Chongqing. The project includes development and construction of new and modern agricultural estates, agricultural related tourism centre, country parks and hot springs holiday resorts. Details of the development plans are still under negotiation.

Publication business

The operating profit for magazines publication business substantially decreased to HK\$0.2 million, mainly due to the increase in staff cost and operating expenses, albeit a 33.8% growth in turnover when compared to the corresponding period last year.

Liquidity and Financial Resources

During the six months ended 30 June 2008, the Group's operations was financed by the internal financial resources, amounts due to related companies, convertible notes and banking facilities granted to the Group.

As at 30 June 2008, the Group had net current assets of HK\$715.8 million (31 December 2007: net current liabilities of HK\$48.5 million).

The Board is of the opinion that, 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.

As at 30 June 2008, the Group had a gearing ratio of 35.6%. The gearing ratio is computed on comparing the Group's total non-current bank borrowings of HK\$97.5 million to the Group's equity of HK\$273.6 million.

Material Acquisition and Disposal

During the six months ended 30 June 2008, the Group did not make any material acquisition and disposal.

Exposure to Fluctuations in Exchange Rates and any Related Hedges

During the six months ended 30 June 2008, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

Pledge of Assets and Contingent Liabilities

As at 30 June 2008, the Group pledged a property under development of the subsidiary to secure banking facilities and did not have any contingent liabilities.

Employees

As at 30 June 2008, the total number of employees of the Group was 86 (2007: 85). Employees' cost (including directors' emoluments) amounted to approximately HK\$11,107,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: approximately HK\$7,249,000).

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.

Prospects

We believe that the macro-economic policies implemented by the Central Government may have some impact on the property market in China in the short term, but China's GDP has increased tenfolds since 1978, we maintain our optimistic view on the China property market in the longer run. In particular, the demand for premium commercial areas is still very high at present.

For the South China Landmark Plaza in Shenyang, the pre-sale of certain floor area will commence in the last quarter of 2008, and we are now preparing for marketing and sales campaign. With the continuous increasing spending power in the region, we expect our retail spaces will attract strong interest.

In Hebei, our current relocation projects and land redevelopment projects have a total site area of around 2,356,000 square metres made up from approximately 1,286,000 square metres in Zhongjie (中捷), approximately 620,000 square metres in Nandagang (南大港) and approximately 450,000 square metres in Huanghua City (黃驊市). Their potential commercial value will be extensive if fully developed in the coming future. Rising construction costs and relocation costs are still and will remain our main concern for the foreseeable future. We are considering very carefully in respect of the costs and the stages of development phases in our existing negotiation with the local government before finalising details of the future plans. We, however, are confident that the economic growth of the area will allow property prices to outpace rising costs.

The Government of Hebei Province has announced to speed up the development of the region and the transformation into new face in three years time. The development aims to increase the population in Huanghua City and the Tianjin-Bohai Coastal Economic Development Site which includes Zhongjie, Nandagang and Haxin to cater up to one million residents.

The relocation projects recently entered by the Group perfectly match the overall development plans implemented by the Government of Hebei Province, and thus our projects in the region have received its tremendous support.

As for the publication business, since the present scale of property portfolio is substantially larger than that of the magazine publication, the Group is considering ways to streamline its business activities in order to maintain greater efficiency in terms of cost and allocation of resources.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 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 of Hong Kong Limited ("Stock Exchange") pursuant to the required standard of dealings by directors of the Company as referred to in rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange ("GEM Listing Rules") were as follows:

A. The Company

(I) Interest in shares

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

(II) Interest 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 (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 (Note d)	0.99%
Ng Yuk Fung, Peter	Beneficial owner	5,000,000 (Note d)	0.99%

B. Associated corporations

(I) Interest in shares

(i) SCH

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

(ii) SCC

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	1,983,206,785 (Note e)	74.78%

(iii) SCFH

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	3,660,502,500 (Note f)	72.79%

(iv) South China Financial Credits Limited (*Note g*)

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 (*Note h*)

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

(II) Interest 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 (<i>Note i</i>)	0.99%
Ng Yuk Fung, Peter	Beneficial owner	18,000,000 (<i>Note i</i>)	0.99%
Ng Yuk Mui, Jessica	Beneficial owner	18,000,000 (<i>Note i</i>)	0.99%

(ii) SCC

Warrants

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

Share options

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Ng Yuk Fung, Peter	Beneficial owner	26,000,000 (<i>Note k</i>)	0.98%
Ng Yuk Yeung, Paul	Beneficial owner	26,000,000 (<i>Note k</i>)	0.98%

(iii) SCFH

Warrants

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	679,350,500 (Note l)	14.56%

Share options

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Ng Yuk Fung, Peter	Beneficial owner	50,000,000 (Note m)	0.99%
Ng Yuk Yeung, Paul	Beneficial owner	50,000,000 (Note m)	0.99%

Notes:

- (a) Mr. Ng, through controlled corporations, together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges have interest in 487,949,760 shares of South China Holdings Limited (“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. Therefore, Mr. Ng is deemed to have interest in a total of 1,344,181,812 shares in SCH, representing approximately 73.72% in the issued share capital of SCH. SCH holds approximately 74.78% interest indirectly in South China (China) Limited (“SCC”) and approximately 72.79% interest indirectly in South China Financial Holdings Limited (“SCFH”) respectively. SCC holds approximately 68.58% interest indirectly in the Company.
- (b) By virtue of note (a) above, Mr. Ng is deemed to have interest in the shares of the Company held by a wholly-owned subsidiary of SCC.
- (c) The two convertible notes were issued to a subsidiary of SCC with the rights to convert into 5,440,000,000 and 5,226,666,666 underlying shares respectively at a conversion price of HK\$0.075 per share. By virtue of note (a) above, Mr. Ng is deemed to have interest in those underlying shares.
- (d) Please refer to the paragraphs under the heading “Share Option Scheme” for details.
- (e) By virtue of note (a) above, Mr. Ng is deemed to have interest in those shares of SCC held by wholly-owned subsidiaries of SCH.
- (f) By virtue of note (a) above, Mr. Ng is deemed to have interest in those shares of SCFH held by certain wholly-owned subsidiary of SCH.
- (g) South China Financial Credits Limited is a 98.48% owned subsidiary of SCFH.
- (h) Prime Prospects Limited is a 70% owned subsidiary of SCC.
- (i) These share options were granted on 18 September 2007 at an exercise price of HK\$2.00 per share with exercise 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. The number of share options outstanding at the beginning and at the end of the period for the six months ended 30 June 2008 for each director was 18,000,000.
- (j) 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). By virtue of note (a) above, Mr. Ng is deemed to have interest in those underlying shares held by wholly-owned subsidiaries of SCH.

- (k) These share options were granted on 18 September 2007 at an exercise price of HK\$1.50 per share with exercise 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. The number of share options outstanding at the beginning and at the end of the period for the six months ended 30 June 2008 for each director was 26,000,000.
- (l) 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). By virtue of note (a) above, Mr. Ng is deemed to have interest in those underlying shares held by wholly-owned subsidiaries of SCH.
- (m) 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 exercise 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. The number of share options outstanding at the beginning and at the end of the period for the six months ended 30 June 2008 for each director was 50,000,000.
- (n) All interests disclosed above represent long positions.

Saved as disclosed above, none of the Directors or Chief Executive of the Company had registered, as at 30 June 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 30 June 2008, the following persons, 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 shares

Name of shareholder	Capacity	Number of Shares	Approximate % of issued share capital
SCC	Interest of controlled corporations	347,338,203	68.58%
SCH	Interest of controlled corporations	347,338,203 <i>(Note a)</i>	68.58%

(ii) Long position in underlying shares of the Company

Name of shareholder	Capacity	Number of underlying shares	Approximate % of issued share capital
SCC	Interests of controlled corporations	10,666,666,666 (Note b)	2,105.96%
SCH	Interests of controlled corporations	10,666,666,666 (Note b)	2,105.96%

Notes:

- (a) SCH is deemed to be interested in those shares held by certain subsidiaries of SCC by virtue of the fact that SCC is a subsidiary of SCH.
- (b) The two convertible notes with the right to convert into 5,440,000,000 and 5,226,666,666 underlying shares respectively at a conversion price of HK\$0.075 each were issued to a wholly-owned subsidiary of SCC. As SCC is a subsidiary of SCH, SCH is deemed to be interested in the underlying shares.

Save as disclosed above, as at 30 June 2008, no persons, other than the Directors or Chief Executives whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation” 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 by the Company under section 336 of the SFO.

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 2008 were as follows:

Name and category of participant	Date of grant of share options	Number of outstanding share options		Exercise period of share options	Exercise price per share option HK\$
		As at 1/1/2008	As at 30/6/2008		
Director					
Ng Yuk Yeung, Paul	14/03/2007	5,000,000	5,000,000	14/03/2008 – 13/03/2012	0.2166
Ng Yuk Fung, Peter	14/03/2007	<u>5,000,000</u>	<u>5,000,000</u>	14/03/2008 – 13/03/2012	0.2166
Sub-total		<u>10,000,000</u>	<u>10,000,000</u>		
Others					
In aggregate	14/03/2007	1,000,000	1,000,000	14/03/2008 – 13/03/2012	0.2166
	02/04/2007	3,000,000	3,000,000	02/04/2008 – 01/04/2012	0.3150
	10/05/2007	<u>2,000,000</u>	<u>2,000,000</u>	10/05/2008 – 09/05/2012	0.3100
Sub-total		<u>6,000,000</u>	<u>6,000,000</u>		
Total		<u>16,000,000</u>	<u>16,000,000</u>		

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 – 36th months	33 ¹ / ₃ %
25th – 48th months	33 ¹ / ₃ %
37th – 60th months	33 ¹ / ₃ %

No share options have been granted, exercised, lapsed or cancelled during the six months ended 30 June 2008.

In total, HK\$861,000 of employee compensation expense has been included in the consolidated income statement for the six months ended 30 June 2008 (2007: HK\$633,000) with a corresponding credit in equity.

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 of the Company or any Associated Corporation" 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.

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 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2008.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS

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 standard of dealings and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2008.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. 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 six months ended 30 June 2008 were reviewed by the Audit Committee.

On Behalf of the Board

Ng Hung Sang

Chairman

Hong Kong, 12 August 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) Dr. Lo Wing Yan, William, JP, Mr. Cheng Yuk Wo and Ms. Pong Oi Lan, Scarlett as independent non-executive directors.