



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 2009**

**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 2009, together with the comparative unaudited figures for the corresponding period in 2008, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	2 & 3	5,442	10,472	10,989	18,396
Direct operating expenses		(3,132)	(4,457)	(6,387)	(8,679)
Other operating income		27	548	33	159
Selling and distribution costs		(7,537)	(3,998)	(12,754)	(6,354)
Administrative and other expenses		(3,884)	(3,783)	(7,711)	(8,658)
Operating loss	3 & 4	(9,084)	(1,218)	(15,830)	(5,136)
Non-cash imputed interest on convertible notes	5	(7,277)	(7,169)	(14,474)	(13,967)
Loss before income tax		(16,361)	(8,387)	(30,304)	(19,103)
Income tax expenses	6	—	—	—	—
Loss for the period		<u>(16,361)</u>	<u>(8,387)</u>	<u>(30,304)</u>	<u>(19,103)</u>
Attributable to:					
Equity holders of the Company		(15,026)	(8,271)	(28,123)	(18,396)
Minority interests		(1,335)	(116)	(2,181)	(707)
Loss for the period		<u>(16,361)</u>	<u>(8,387)</u>	<u>(30,304)</u>	<u>(19,103)</u>
Loss per share	8				
– Basic		<u>HK2.97 cents</u>	<u>HK1.63 cents</u>	<u>HK5.55 cents</u>	<u>HK3.63 cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2009 <i>HK\$'000</i> (Unaudited)	2008 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)	2008 <i>HK\$'000</i> (Unaudited)
Loss for the period	(16,361)	(8,387)	(30,304)	(19,103)
Other comprehensive income/(loss) for the period				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>914</u>	<u>(10,433)</u>	<u>(11)</u>	<u>16,182</u>
Total comprehensive loss for the period	<u>(15,447)</u>	<u>(18,820)</u>	<u>(30,315)</u>	<u>(2,921)</u>
Attributable to:				
Equity holders of the Company	<u>(14,272)</u>	<u>(13,944)</u>	<u>(28,134)</u>	<u>(2,360)</u>
Minority interests	<u>(1,175)</u>	<u>(4,876)</u>	<u>(2,181)</u>	<u>(561)</u>
Total comprehensive loss for the period	<u>(15,447)</u>	<u>(18,820)</u>	<u>(30,315)</u>	<u>(2,921)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2009 <i>HK\$'000</i> (Unaudited)	As at 31 December 2008 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,546	1,529
Goodwill		355,326	355,326
Recoverable from an affiliate		88,777	88,777
Prepayments	9	139,592	4,883
		585,241	450,515
Current assets			
Trade receivables	10	4,543	4,288
Properties under development		1,008,894	946,243
Amount due from a minority shareholder of a subsidiary		28,229	25,845
Prepayments and other receivables		8,753	6,298
Cash and bank balances		33,847	34,757
		1,084,266	1,017,431
Current liabilities			
Trade payables	11	5,240	8,176
Other payables, accruals and receipts in advance		47,852	14,846
Amount due to affiliates		299,725	144,301
Bank borrowings		101,032	31,802
		453,849	199,125
Net current assets		630,417	818,306
Total assets less current liabilities		1,215,658	1,268,821
Non-current liabilities			
Bank borrowings		142,595	180,209
Convertible notes		712,121	697,648
Deferred tax liabilities		110,971	110,971
		965,687	988,828
Net assets		249,971	279,993
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		5,065	5,065
Reserves		128,194	156,035
		133,259	161,100
Minority interests		116,712	118,893
Total equity		249,971	279,993

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Employee compensation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2008	5,065	11,483	6,044	1,951	148,232	32,861	(42,477)	163,159	112,491	275,650
Equity-settled share-based compensation	-	-	-	861	-	-	-	861	-	861
Total comprehensive loss for the period	-	-	-	-	-	16,036	(18,396)	(2,360)	(561)	(2,921)
At 30 June 2008	<u>5,065</u>	<u>11,483</u>	<u>6,044</u>	<u>2,812</u>	<u>148,232</u>	<u>48,897</u>	<u>(60,873)</u>	<u>161,660</u>	<u>111,930</u>	<u>273,590</u>
At 1 January 2009	5,065	11,483	6,044	3,265	148,232	68,350	(81,339)	161,100	118,893	279,993
Equity-settled share-based compensation	-	-	-	293	-	-	-	293	-	293
Total comprehensive loss for the period	-	-	-	-	-	(11)	(28,123)	(28,134)	(2,181)	(30,315)
At 30 June 2009	<u>5,065</u>	<u>11,483</u>	<u>6,044</u>	<u>3,558</u>	<u>148,232</u>	<u>68,339</u>	<u>(109,462)</u>	<u>133,259</u>	<u>116,712</u>	<u>249,971</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(50,232)	(105,754)
Net cash used in investing activities	(137,988)	(262)
Net cash from financing activities	<u>187,310</u>	<u>122,376</u>
Net (decrease)/increase in cash and cash equivalents	(910)	16,360
Cash and cash equivalents, beginning of the period	<u>34,757</u>	<u>19,702</u>
Cash and cash equivalents, end of the period	<u><u>33,847</u></u>	<u><u>36,062</u></u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<u><u>33,847</u></u>	<u><u>36,062</u></u>

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months and six months ended 30 June 2009 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 2008 annual report.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 (the "GEM Listing Rules").

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 2008. As disclosed in the 2008 annual report, the Group has adopted various new and amended HKFRSs in the current year. The adoption of such HKFRSs has no significant impact to the Group's result and financial position.

2. REVENUE

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

3. SEGMENT INFORMATION

(a) Business segments

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

	Six months ended 30 June		Six months ended 30 June	
	2009 HK\$'000 (Unaudited) Revenue	2008 HK\$'000 (Unaudited) Revenue	2009 HK\$'000 (Unaudited) Contribution to operating loss	2008 HK\$'000 (Unaudited) Contribution to operating profit/(loss)
Publications	10,989	18,396	(3,534)	185
Property development	–	–	(11,373)	(3,741)
Unallocated	–	–	(923)	(1,580)
	<u>10,989</u>	<u>18,396</u>	<u>(15,830)</u>	<u>(5,136)</u>

(b) Geographical segments

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

	Six months ended 30 June		Six months ended 30 June	
	2009 HK\$'000 (Unaudited) Revenue	2008 HK\$'000 (Unaudited) Revenue	2009 HK\$'000 (Unaudited) Contribution to operating loss	2008 HK\$'000 (Unaudited) Contribution to operating loss
Hong Kong	10,989	18,396	(4,457)	(1,395)
Other regions of the People's Republic of China	–	–	(11,373)	(3,741)
	<u>10,989</u>	<u>18,396</u>	<u>(15,830)</u>	<u>(5,136)</u>

4. OPERATING LOSS

Operating loss for the three months and six months ended 30 June 2009 is arrived at after charging depreciation of HK\$141,000 and HK\$269,000 respectively (three months and six months ended 30 June 2008: HK\$96,000 and HK\$185,000 respectively).

5. NON-CASH IMPUTED INTEREST ON CONVERTIBLE NOTES

The following is the analysis of the finance cost of the Group:

	Three months ended 30 June		Six months ended 30 June	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Interest charged on bank borrowings repayable within five years	1,409	968	2,739	2,229
Non-cash imputed interest on convertible notes*	7,277	7,169	14,474	13,967
Total interest	8,686	8,137	17,213	16,196
Less: Interest capitalized on properties under development/ construction in progress	(1,409)	(968)	(2,739)	(2,229)
	<u>7,277</u>	<u>7,169</u>	<u>14,474</u>	<u>13,967</u>

* No non-cash imputed interest on convertible notes will be charged to the Group after the conversion of the convertible notes on 18 August 2009. For detail of the conversion, please refer to the section "Post Balance Sheet Event".

6. INCOME TAX EXPENSE

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 2009 (three months and six months ended 30 June 2008: 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.

7. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2009 is based on the unaudited loss attributable to the equity holders of the Company of HK\$15,026,000 and HK\$28,123,000 respectively (three months and six months ended 30 June 2008: unaudited loss of HK\$8,271,000 and HK\$18,396,000 respectively) and on the number of 506,498,344 shares in issue (three months and six months ended 30 June 2008: 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.

9. PREPAYMENTS

The Group has successfully won the bid by way of public tender for a property development project in Dadong District in Shenyang, the PRC. Approximately HK\$137.7 million was injected into the relevant project company for the payment of deposit for land use right and was recorded as Prepayments under Non-Current Assets of the Group. Details of the property development project are set out in the Company's announcement dated 1 June 2009.

10. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 120 days to its customers.

The following is an aging analysis of trade receivables:

	As at 30 June 2009 <i>HK\$'000</i> (Unaudited)	As at 31 December 2008 <i>HK\$'000</i> (Audited)
Within 30 days	1,359	1,276
31 – 60 days	1,555	1,295
61 – 90 days	538	472
91 – 180 days	188	636
Over 180 days	903	609
	<u>4,543</u>	<u>4,288</u>

11. TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2009 <i>HK\$'000</i> (Unaudited)	As at 31 December 2008 <i>HK\$'000</i> (Audited)
Within 30 days	595	491
31 – 60 days	369	4,999
61 – 90 days	406	512
91 – 180 days	2,476	698
Over 180 days	1,394	1,476
	<u>5,240</u>	<u>8,176</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss of HK\$30.3 million for the six months ended 30 June 2009, of which HK\$14.5 million was non-cash imputed interest on convertible notes and HK\$15.8 million was operating loss. Loss increased by 58% comparing to the loss for the same period last year that was due to the marketing and promotion expenses incurred for our major property development project in Shenyang and decrease in advertising income from the publication business.

Business Review

Property Investment and Development

There was no turnover recorded for this segment during the six months ended 30 June 2009 as the construction of properties held by the Group is still under progress. Significant increase in selling expense was recorded for the launch of the establishment of the marketing office and promotion campaign of the shopping complex, named *Fortuna Plaza* in Shenyang, which is our major investment in the PRC. The operating loss of this segment increased from HK\$3.7 million for the six months ended 30 June 2008 to HK\$11.4 million for the corresponding period in 2009.

Shenyang property project

Shenyang commercial property market showed a strong rebound during the second quarter of 2009. We have launched the marketing campaign of our major property development project, *Fortuna Plaza*, in Shenyang during the first quarter of 2009 and the market response has been highly positive. Up to 30 June 2009, construction of the superstructure of *Fortuna Plaza* was fully completed and the progress of the remaining construction items was on schedule.

On 31 May 2009, the Group has successfully won the bid by way of public tender for a property development project in Dadong District (大東區) of Shenyang with a site area of 44,916 square metres for a consideration of approximately RMB606 million. An initial deposit of RMB121.3 million (equivalent to HK\$137.7 million) was paid. The site will have direct connection to the underground railway and is located on the extension of the busiest retail pedestrian street of Shenyang. The underground railway links our newly acquired site to our existing property under development, *Fortuna Plaza*, in Shenhe District by one subway station. The Group intends to build a shopping complex to house a diversified entertainment and recreational facilities, a wide variety of fine dining restaurants, lifestyle and fashionable retail stores.

Cangzhou/Hebei property projects

The construction work of phase one of Zhongjie (中捷) relocation and redevelopment project is at the final stage. The installation of periphery infrastructure such as electricity and water supplies is in progress. Pre-sale was launched in April 2008 and up to the end of June 2009, 89% of the available for sale units were sold and the cash received of around HK\$13.6 million was recognized as other payables on the consolidated statement of financial position.

Chongqing Nanchuan (重慶南川) property project

The project of Chongqing Nanchuan, which includes the development and construction of new and modern agricultural estates, agricultural related tourism centre, country parks and hot springs holiday resorts has been suspended. In view of the project is substantially agriculture-related, the management considered that it is more appropriate if the project is to be developed by its related group. Please refer to the joint announcement dated 4 August 2009.

Publication business

Loss of this segment was widened to HK\$3.5 million, comparing with the profit of HK\$0.2 million for the same period last year. The increase in net loss was mainly due to the decrease in the advertising revenue during the period.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2009, the Group's operation was financed by internal financial resources, amounts due to affiliates, convertible notes and banking facilities granted to the Group. The Board is of the opinion that, after taking into account these available resources, the Group has sufficient working capital for its present requirements.

As at 30 June 2009, the Group had net current assets of HK\$630.4 million (31 December 2008: HK\$818.3 million).

As at 30 June 2009, the Group had a gearing ratio of 57% (31 December 2008: 64.4%). The gearing ratio is computed on comparing the Group's total non-current bank borrowings of HK\$142.6 million to the Group's equity of HK\$250 million.

As at 30 June 2009, the Group has an addition capital commitment of around HK\$550 million in related to the property development project in Dadong District in Shenyang as set out in note 9 to the consolidated statement of financial position. Other than that, there is no material change in the position of capital commitment comparing with the amount disclosed in the annual report of the Company for the year ended 31 December 2008.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the six months ended 30 June 2009, 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 2009, 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 2009, the Group pledged certain properties under development of a subsidiary to secure banking facilities and did not have any contingent liabilities.

POST BALANCE SHEET EVENT

South China (China) Limited ("SCC"), the ultimate holding company of the Company, has announced on 3 July 2009 its intention to exercise the conversion right embedded in the convertible notes issued by the Company. On full conversion of the convertible notes, 10,666,666,666 shares of the Company will be allotted. After the conversion, SCC will distribute all its shareholding in the Company to the SCC shareholders. Conditional upon the approval of the above distribution, SCC will make a contribution in an amount of HK\$280 million to the Company, including a capitalization of the shareholder's loan at the date of the above distribution. Details of the above transactions are set out in the announcement of SCC dated 3 July 2009.

The above distribution and contribution were approved by SCC shareholders during an extraordinary general meeting held on 10 August 2009 and the above distribution and conversion will be executed on 18 August 2009.

EMPLOYEES

As at 30 June 2009, the total number of employees of the Group was 136 (2008: 86). Employees' cost (including directors' emoluments) amounted to approximately HK\$11,900,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: approximately HK\$11,107,000).

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

The construction of *Fortuna Plaza* in Shenyang is expected to complete at around the end of 2009. In view of the improving property market sentiment and the positive market response to our recent promotion campaign, we are confident that, the successful launch of the project will provide a strong support to the Group's cash flow in the near future.

For the new property development project in the Dadong District in Shenyang, we plan to develop a complex comprising of a commercial retail podium with a gross floor area of over 503,000 square metres and a few residential towers of approximately 67,000 square metres, making a total of approximately 570,000 square metres. At present, there are blocks of buildings with residents and retail shops on the site and the Government of Shenyang will be responsible for the relocation of those existing tenants. It is expected that the relocation will take about 21 months to complete. The development will serve as the landmark development of the Group in the region in addition to the *Fortuna Plaza*, creating a centre point for people to retreat, relax and recharge. It is estimated that the entire development period will take about four to five years.

In Hebei, our current relocation projects and land redevelopment projects have a total site area of around 1,286,000 square metres. With the completion of the sales process and legal documentation of the first phase's property in Zhongjie, we anticipate that the project will start to bring revenue contribution to the Group in the second half of 2009.

For Phase two of the relocation project in Zhongjie and Nandagang (南大港), negotiation with the local government regarding the terms of the projects is undergoing. We are considering very carefully on the cost control of the project, including the relocation compensation to the residents, land premium and the construction cost. We, however, are confident that, with the assistance of the local government policy, rapid economic growth will be observed in the region in the near future, which would bring considerable value to our investments.

As for the publication business, in order to achieve greater efficiency in terms of the usage of resources, the Group is considering stricter measure in cost reduction. Given that there is no further improvement in the performance of this segment, the Group would dispose the publication business whenever possible.

CHANGE IN BIOGRAPHICAL DETAILS OF DIRECTORS

Dr. Lo Wing Yan, William, JP, an independent non-executive director of the Company, ceased to be an executive director of I.T Limited with effect from 12 June 2009.

Save as disclosed above, as at 30 June 2009, none of the Directors of the Company has his/her biographical details which are different from those as set out in the Annual Report of the Company for the year ended 31 December 2008.

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

As at 30 June 2009, the interests and short positions of the Directors and chief executives 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 as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

A. The Company

(I) Long position in shares

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Interest of controlled corporations	353,914,203 <i>(Note b)</i>	69.87%

(II) Long position in the underlying shares

Convertible Notes

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	10,666,666,666 <i>(Note c)</i>	2,105.96%

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Ng Yuk Yeung, Paul	Beneficial owner	5,000,000 <i>(Note d)</i>	0.99%
Ng Yuk Fung, Peter	Beneficial owner	5,000,000 <i>(Note d)</i>	0.99%

B. Associated corporations

(I) Long position in shares

(i) SCC

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	1,399,282,724	1,475,234,056 <i>(Note a)</i>	55.60%
	Beneficial owner	75,951,332		

(ii) Prime Prospects Limited (“Prime Prospects”) (Note e)

Name of Director	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Ng	Interest of a controlled corporation	30	30%

(II) Long position in underlying shares

(i) SCC

Warrants

Name of Director	Capacity	Number of underlying shares	Total number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	280,958,297	296,005,259 (Note f)	11.16%
	Beneficial owner	15,046,962		

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Cheung Choi Ngor (“Ms. Cheung”)	Beneficial owner	26,000,000 (Note g)	0.98%
Ng Yuk Yeung, Paul	Beneficial owner	26,000,000 (Note g)	0.98%
Ng Yuk Fung, Peter	Beneficial owner	26,000,000 (Note g)	0.98%

Notes:

(a) Mr. Ng, through controlled corporations, had interest in 882,055,979 shares of SCC, and through a corporation owned as to 60%, 20% and 20% by Mr. Ng, Ms. Cheung and Mr. Richard Howard Gorges (“Mr. Gorges”) respectively, had interest in 517,226,745 shares of SCC. In addition, Mr. Ng personally owns 75,951,332 shares of SCC. Therefore, Mr. Ng was deemed to have interest in a total of 1,475,234,056 shares in SCC, representing approximately 55.60% in the issued share capital of SCC. SCC held approximately 69.87% in the Company.

(b) By virtue of note (a) above, Mr. Ng was deemed to have interest in those shares of the Company held by a wholly owned subsidiary of SCC.

- (c) Two convertible notes were issued to a wholly-owned subsidiary of SCC with the rights to convert into 5,440,000,000 and 5,226,666,666 shares of the Company 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 in the Company.
- (d) These share options were granted on 14 March 2007 at an exercise price of HK\$0.2166 per share of the Company 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.
- (e) Prime Prospects is a 70% owned subsidiary of SCC.
- (f) Mr. Ng, through controlled corporations, had interest in 178,488,848 warrants of SCC and through a corporation owned as to 60%, 20% and 20% by Mr. Ng, Ms. Cheung and Mr. Gorges respectively, had interest in 102,469,449 warrants of SCC. In addition, Mr. Ng personally owned 15,046,962 warrants of SCC. Therefore, Mr. Ng was deemed to have interest in a total of 296,005,259 warrants of SCC, representing approximately 11.16% in the issued share capital of SCC.
- (g) These share options were granted on 18 September 2007 at an exercise price of HK\$1.50 per share of SCC 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.

Save as disclosed above, none of the Directors or chief executives of the Company as at 30 June 2009 had registered 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 the required standard of dealings by Directors as referred to in Rules 5.48 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 June 2009, the following person, other than the Directors or chief executives 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 Part XV of the SFO:

(i) Long position in shares

Name of shareholder	Capacity	Number of ordinary shares	Approximate % of shareholding
SCC	Interest of controlled corporation	353,914,203	69.87%

(ii) Long position in underlying shares

Convertible Notes

Name of shareholder	Capacity	Number of underlying shares	Approximate % of shareholding
SCC	Interests of controlled corporation	10,666,666,666 (Note)	2,105.96%

Note:

The two convertible notes with the right to convert into 5,440,000,000 and 5,226,666,666 shares of the Company respectively at a conversion price of HK\$0.075 each were issued to a wholly-owned subsidiary of SCC.

Save as disclosed above, as at 30 June 2009, no person, other than the Directors or chief executives of the Company, 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” above, had registered any interests or short positions in the shares or 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 2009 were as follows:

Name and category of participant	Date of grant of share options	Number of share options		Exercise period of share options	Exercise price per share option
		Outstanding as at 1.1.2009	Outstanding as at 30.6.2009		
Director					
Ng Yuk Yeung, Paul	14.03.2007	5,000,000	5,000,000	14.03.2008 – 13.03.2012	HK\$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	HK\$0.2166
Sub-total		<u><u>10,000,000</u></u>	<u><u>10,000,000</u></u>		
Others (In aggregate)					
	14.03.2007	1,000,000	1,000,000	14.03.2008 – 13.03.2012	HK\$0.2166
	02.04.2007	3,000,000	3,000,000	02.04.2008 – 01.04.2012	HK\$0.3150
	10.05.2007	<u>2,000,000</u>	<u>2,000,000</u>	10.05.2008 – 09.05.2012	HK\$0.3100
Sub-total		<u><u>6,000,000</u></u>	<u><u>6,000,000</u></u>		
Total		<u><u>16,000,000</u></u>	<u><u>16,000,000</u></u>		

All share options granted are subject to a vesting period and become 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 2009.

In total, HK\$292,000 of employee compensation expense has been included in the consolidated income statement for the six months ended 30 June 2009 (2008: HK\$861,000) 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 the chairman of South China Holdings Limited ("SCH") and SCC. Mr. Ng, personally and through controlled corporations, had controlling interest in the Company, SCH and SCC, in which certain corporate interest are held by Mr. Ng jointly with Mr. Gorges, an Executive Director of the Company (who is also an executive director of SCH and SCC) and Ms. Cheung, an Executive Director of the Company (who is also an executive director of SCH and SCC). Mr. Ng Yuk Fung, Peter ("Mr. Peter Ng"), an Executive Director of the Company, is also an executive director of SCH and SCC. Ms. Ng Yuk Mui, Jessica ("Ms. Jessica Ng"), a Non-Executive Director of the Company, is also a non-executive director of SCH and SCC. Since certain subsidiaries of SCH and SCC are principally engaged in property development and investment business, each of Mr. Ng, Mr. Gorges, Ms. Cheung, Mr. Peter Ng and Ms. Jessica Ng are regarded as interested in such competing businesses of the Group.

Mr. Ng is the controlling shareholder of South China Media Limited ("SC Media") and Jessica Publications (BVI) Limited ("Jessica") and a director of SC Media, and each of Ms. Jessica Ng and Mr. Peter Ng is a director of SC Media and Jessica. Both SC Media and Jessica are principally engaged in the publication business which are considered as competing businesses of the Group. Accordingly, each of Mr. Ng, Ms. Jessica Ng and Mr. Peter Ng is regarded as interested in such competing businesses of the Group.

The Directors are of the view that the Company can carry on its business independently of and at arm's length from the business of SC Media and Jessica as the Group's relevant publication business has its own target reader market and contents which are different from those of SC Media and Jessica.

Save as disclosed above, as at 30 June 2009, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests 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 2009.

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 2009.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the 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 securities transactions by Directors throughout the six months ended 30 June 2009.

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 2009 were reviewed by the Audit Committee.

By Order of the Board
South China Land Limited
南華置地有限公司
Ng Hung Sang
Chairman

Hong Kong, 11 August 2009

As at the date of this report, the Board of the Company comprises (1) Mr. Ng Hung Sang, Mr. Ng Yuk Yeung, Paul, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Mr. Ng Yuk Fung, Peter as executive directors; (2) Ms. Ng Yuk Mui, Jessica and Mr. Hui Ping as non-executive directors; and (3) Dr. Lo Wing Yan, William, JP, Mr. Cheng Yuk Wo and Ms. Pong Oi Lan, Scarlett as independent non-executive directors.