



SOUTH CHINA LAND LIMITED

南華置地有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8155)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

QUARTERLY 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 nine months ended 30 September 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 September		Nine months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	2 & 3	4,297	6,576	15,286	24,972
Direct operating expenses		(2,646)	(2,766)	(9,033)	(11,445)
Other operating income		75	43	108	202
Selling and distribution costs		(5,137)	(3,944)	(17,891)	(10,298)
Administrative and other expenses		(5,013)	(3,299)	(12,724)	(11,957)
Operating loss	3 & 4	(8,424)	(3,390)	(24,254)	(8,526)
Non-cash imputed interest on convertible notes	5	(3,918)	(7,061)	(18,392)	(21,028)
Loss before income tax		(12,342)	(10,451)	(42,646)	(29,554)
Income tax expenses	6	–	–	–	–
Loss for the period		<u>(12,342)</u>	<u>(10,451)</u>	<u>(42,646)</u>	<u>(29,554)</u>
Attributable to:					
Equity holders of the Company		(11,134)	(10,128)	(39,257)	(28,524)
Minority interests		(1,208)	(323)	(3,389)	(1,030)
Loss for the period		<u>(12,342)</u>	<u>(10,451)</u>	<u>(42,646)</u>	<u>(29,554)</u>
Loss per share					
– Basic	8	<u>HK0.20 cents</u>	<u>HK2.00 cents</u>	<u>HK1.79 cents</u>	<u>HK5.63 cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months and nine months ended 30 September 2009 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 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 quarterly 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, which are effective for the annual period beginning on 1 January 2009. The adoption of such HKFRSs has no significant impact to the Group's result and financial position and the accounting policies.

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:

	Nine months ended 30 September		Nine months ended 30 September	
	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
Publications	15,286	24,972	(4,765)	(516)
Property development	–	–	(18,105)	(5,744)
Unallocated	–	–	(1,384)	(2,266)
	<u>15,286</u>	<u>24,972</u>	<u>(24,254)</u>	<u>(8,526)</u>

(b) Geographical segments

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

	Nine months ended 30 September		Nine months ended 30 September	
	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	15,286	24,972	(6,149)	(2,782)
Other regions of the People's Republic of China	–	–	(18,105)	(5,744)
	<u>15,286</u>	<u>24,972</u>	<u>(24,254)</u>	<u>(8,526)</u>

4. OPERATING LOSS

Operating loss for the three months and nine months ended 30 September 2009 is arrived at after charging depreciation of HK\$133,000 and HK\$402,000 respectively (three months and nine months ended 30 September 2008: HK\$196,000 and HK\$381,000 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 September		Nine months ended 30 September	
	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	1,480	1,982	4,219	4,211
Non-cash imputed interest on convertible notes*	<u>3,918</u>	<u>7,061</u>	<u>18,392</u>	<u>21,028</u>
Total interest	5,398	9,043	22,611	25,239
Less: Interest capitalized on properties under development/ construction in progress	<u>(1,480)</u>	<u>(1,982)</u>	<u>(4,219)</u>	<u>(4,211)</u>
	<u><u>3,918</u></u>	<u><u>7,061</u></u>	<u><u>18,392</u></u>	<u><u>21,028</u></u>

* ***No more non-cash imputed interest on convertible notes was charged to the Group after the conversion of the convertible notes on 18 August 2009 by the noteholder.***

On 18 August 2009, South China (China) Limited ("SCC"), the Company's former ultimate holding company through its wholly owned subsidiary (the noteholder) fully converted the Company's convertible notes into the Company's shares. After the conversion, 10,666,666,666 Company's shares were allotted and were distributed to SCC's shareholders simultaneously. Consequently, the convertible notes amounted to HK\$716 million were capitalized as the Company issued shares and share premium. Details of the conversion and distribution are set out in the circular issued by SCC dated 23 July 2009.

6. INCOME TAX EXPENSES

No Hong Kong profits tax was provided as the Group had no estimated assessable profits arising in or derived from Hong Kong during the three months and nine months ended 30 September 2009 (three months and nine months ended 30 September 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. DIVIDEND

The Board resolved not to declare the payment of a dividend for the nine months ended 30 September 2009 (nine months ended 30 September 2008: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2009 is based on the unaudited loss attributable to the equity holders of the Company of HK\$11,134,000 and HK\$39,257,000 respectively (three months and nine months ended 30 September 2008: unaudited loss of HK\$10,128,000 and HK\$28,524,000 respectively) and on the weighted average number of 5,548,505,670 shares and 2,193,346,383 shares in issue respectively (three months and nine months ended 30 September 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. MOVEMENT OF RESERVES

	Three months ended 30 September		Nine months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Loss for the period	(11,134)	(10,128)	(39,257)	(28,524)
Exchange realignment	(5)	(191)	(16)	15,845
Equity-settled share-based compensation	69	226	362	1,087
Shareholder contribution	211,137	–	211,137	–
Exercise of share option	558	–	558	–
Conversion of convertible notes	716,040	–	716,040	–
	<u>916,665</u>	<u>(10,093)</u>	<u>888,824</u>	<u>(11,592)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net loss of HK\$42.6 million for the nine months ended 30 September 2009, of which HK\$18.4 million was non-cash imputed interest on convertible notes and HK\$24.2 million was operating loss. There was a 44% increase in net loss comparing to the loss for the same period last year which was due to the increase in 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

No turnover was recorded for this segment during the nine months ended 30 September 2009 as the construction of properties held by the Group is still under progress. Due to the establishment of the marketing office and launch of promotion campaign of the shopping complex, named *Fortuna Plaza* in Shenyang, which is our major investment in the PRC, significant increase in selling expense was recorded in 2009. The operating loss of this segment increased from HK\$5.7 million for the nine months ended 30 September 2008 to HK\$18.1 million for the corresponding period in 2009.

Shenyang property project

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 September 2009, construction of the superstructure of *Fortuna Plaza* was fully completed and the installation of interior equipment was started in the third quarter of 2009.

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 September 2009, 89% of the available for sale units were sold and the cash received of around HK\$14.5 million was recognized as other payables on the consolidated statement of financial position.

Publication business

Loss of this segment was widened to HK\$4.8 million, comparing with the loss of HK\$0.5 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 nine months ended 30 September 2009, the Group's operation was financed by internal financial resources, advances from affiliate, 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.

On 18 August 2009, SCC, the Company's former ultimate holding company fully converted the Company's convertible notes into the Company's shares. After the conversion, 10,666,666,666 Company's shares were allotted and were distributed to SCC's shareholders simultaneously. Consequently, the convertible notes amounted to HK\$716 million were capitalized as the Company's issued share capital and share premium. In addition, SCC had agreed, at the request of the Company, to make a contribution in an amount up to around HK\$280 million to the Company, including a capitalization of its shareholder's loan at the date of distribution. The amount of the contribution from SCC will be credited to the capital reserve account of the Company. Details of the abovementioned conversion and distribution are set out in the circular issued by SCC dated 23 July 2009.

As at 30 September 2009, the Group had net current assets of HK\$933.9 million (31 December 2008: HK\$818.3 million).

As at 30 September 2009, the Group had a gearing ratio of 13.1% (31 December 2008: 64.4%). The gearing ratio is computed on comparing the Group's total non-current bank borrowings of HK\$153.2 million to the Group's equity of HK\$1,165.7 million.

As at 30 September 2009, the Group has an additional capital commitment of around HK\$550 million in relation to the property development project in the Dadong District of Shenyang. 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 nine months ended 30 September 2009, the Group did not make any material acquisition and disposal.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

PROSPECTS

The construction of *Fortuna Plaza* in Shenyang is expected to complete in the first half of 2010. In view of 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 of 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. The progress of the sales procedures and the preparation of legal documentation of the first phase's property in Zhongjie is in the final stage and we anticipate that the project will start to bring revenue contribution to the Group in 2010.

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, the Group would impose 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.

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 September 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:

The Company

(I) Long position in shares

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Beneficial owner	355,801,739	3.18%
	Interest of spouse	769,467,612	6.89%
	Interest of controlled corporations	6,098,639,154 (Note a)	54.57%

(II) Long position in the underlying shares

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Ng Yuk Yeung, Paul	Beneficial owner	5,000,000 (Note b)	0.04%
Ng Yuk Fung, Peter	Beneficial owner	5,000,000 (Note b)	0.04%

Notes:

- (a) The 6,098,639,154 shares of the Company held by Mr. Ng through controlled corporations include 1,088,784,847 shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 shares held by Eartrade Investments Limited ("Eartrade"), 1,817,140,364 shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 shares held by Ronastar Investments Limited ("Ronastar") and 237,881,856 shares held by Worldunity Investments Limited ("Worldunity"). Fung Shing, Parkfield and Ronastar are all wholly-owned by Mr. Ng. Mr. Ng holds Worldunity indirectly via South China Holdings Limited ("SCH"), which is owned as to 73.72% by Mr. Ng, while Bannock is a wholly-owned subsidiary of Eartrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung Choi Ngor ("Ms. Cheung"). As such, Mr. Ng was deemed to have interest in the 237,881,856 shares held by Worldunity and the 2,238,789,644 shares held by Bannock and Eartrade.
- (b) 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.

Save as disclosed above, as at 30 September 2009, none of the Directors or chief executives of the Company 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) that was required to be recorded pursuant to 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 September 2009, the following person, other than the Directors and chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of Part XV of the SFO:

Long position in the shares

Name of shareholder	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Eartrade	Beneficial owner and interest of controlled corporation	2,238,789,644 (Note a)	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.47%
Bannock	Beneficial owner	1,088,784,847 (Note a)	9.74%
Ng Lai King, Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	7,223,908,505 (Note b)	64.64%

Notes:

- (a) Bannock is a wholly-owned subsidiary of Eartrade. The 2,238,789,644 shares in the Company held by Eartrade include 1,088,784,847 shares held by Bannock directly.
- (b) Ms. Ng is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng is deemed to be interested in the 355,801,739 shares and 6,098,639,154 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

Save as disclosed above, as at 30 September 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 an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to 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 the chairman of SCH and SCC. Mr. Ng, personally and through controlled corporations, had controlling interest in the Company, SCH and SCC, in which certain corporate interest in SCH and SCC 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"), Jessica Publications (BVI) Limited ("Jessica") and Jade Fountain Limited ("Jade Fountain") and is a director of SC Media and Jade Fountain, and each of Ms. Jessica Ng and Mr. Peter Ng is a director of SC Media, Jessica and Jade Fountain. SC Media, Jessica and Jade Fountain 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, Jessica and Jade Fountain as the Group's relevant publication business has its own target reader market and contents which are different from those of SC Media, Jessica and Jade Fountain.

Save as disclosed above, as at 30 September 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.

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 Audit Committee), Dr. Lo Wing Yan, William, JP and Ms. Pong Oi Lan, Scarlett.

The Group's unaudited results for the nine months ended 30 September 2009 have been reviewed by the Audit Committee.

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 30 September 2009.

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

Hong Kong, 10 November 2009

As at the date of this report, the Board of the Company comprises (1) Mr. Ng Hung Sang, Mr. Ng Yuk Yeung, Paul, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor 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.