



**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 2010**

**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 2010, together with the comparative unaudited figures for the corresponding period in 2009, are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Revenue	3 & 4	6,687	5,442	13,763	10,989
Direct operating expenses		(3,263)	(3,132)	(6,119)	(6,387)
Other operating income		30	27	86	33
Increase in fair value of investment property	2 & 11	1,148,026	–	1,148,026	–
Selling and distribution costs		(4,461)	(7,537)	(9,170)	(12,754)
Administrative and other operating expenses		(7,867)	(3,884)	(13,952)	(7,711)
<b>Operating profit/(loss)</b>	4 & 5	<b>1,139,152</b>	<b>(9,084)</b>	<b>1,132,634</b>	<b>(15,830)</b>
Finance costs	6	(3,379)	(7,277)	(4,535)	(14,474)
<b>Profit/(loss) before income tax</b>		<b>1,135,773</b>	<b>(16,361)</b>	<b>1,128,099</b>	<b>(30,304)</b>
Income tax expense	2 & 7	(287,006)	–	(287,006)	–
<b>Profit/(loss) for the period</b>		<b>848,767</b>	<b>(16,361)</b>	<b>841,093</b>	<b>(30,304)</b>
<b>Profit/(loss) for the period attributable to:</b>					
Equity holders of the Company		677,549	(15,026)	670,837	(28,123)
Non-controlling interests		171,218	(1,335)	170,256	(2,181)
		<b>848,767</b>	<b>(16,361)</b>	<b>841,093</b>	<b>(30,304)</b>
<b>Earnings/(loss) per share for profit/(loss) attributable to the equity holder of the Company during the period</b>					
– Basic	9	<b>HK6.1 cents</b>	HK(2.97) cents	<b>HK6.0 cents</b>	HK(5.55) cents
– Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Three months ended 30 June		Six months ended 30 June	
	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Profit/(loss) for the period	848,767	(16,361)	841,093	(30,304)
<b>Other comprehensive income for the period</b>				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>10,991</u>	<u>914</u>	<u>12,526</u>	<u>(11)</u>
<b>Total comprehensive income for the period</b>	<b><u>859,758</u></b>	<b><u>(15,447)</u></b>	<b><u>853,619</u></b>	<b><u>(30,315)</u></b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	686,241	(14,272)	680,959	(28,134)
Non-controlling interests	<u>173,517</u>	<u>(1,175)</u>	<u>172,660</u>	<u>(2,181)</u>
	<b><u>859,758</u></b>	<b><u>(15,447)</u></b>	<b><u>853,619</u></b>	<b><u>(30,315)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2010 <b>HK\$'000</b> (Unaudited)	As at 31 December 2009 <b>HK\$'000</b> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,004	1,827
Goodwill		355,326	355,326
Deposit paid and prepayments	10	419,923	143,621
Investment property	11	2,430,105	–
Properties under development	11	–	1,142,673
		3,207,358	1,643,447
<b>Current assets</b>			
Trade receivables	12	4,776	4,518
Properties under development		13,830	13,564
Amount due from a minority shareholder of a subsidiary		49,269	44,461
Prepayments and other receivables		10,353	8,341
Cash and bank balances		57,387	68,486
		135,615	139,370
<b>Current liabilities</b>			
Trade payables	13	8,503	6,253
Other payables, accrued expenses and receipts in advance		33,992	34,973
Amount due to a related party		2,007	3,842
		44,502	45,068
<b>Net current assets</b>		91,113	94,302
<b>Total assets less current liabilities</b>		3,298,471	1,737,749
<b>Non-current liabilities</b>			
Bank borrowings		492,890	369,005
Loans from shareholders		280,235	–
Deferred tax liabilities		397,977	110,971
		1,171,102	479,976
<b>Net assets</b>		2,127,369	1,257,773
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		111,785	111,752
Reserves		1,690,946	994,043
		1,802,731	1,105,795
<b>Non-controlling interests</b>		324,638	151,978
<b>Total equity</b>		2,127,369	1,257,773

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Equity attributable to the equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital contribution reserve HK\$'000	Employee compensation reserve HK\$'000	Convertible notes equity reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2009	5,065	11,483	6,044	-	3,265	148,232	68,350	(81,339)	161,100	118,893	279,993
Recognition of equity settled share-based compensation	-	-	-	-	293	-	-	-	293	-	293
Transactions with owners	-	-	-	-	293	-	-	-	293	-	293
Loss for the period	-	-	-	-	-	-	-	(28,123)	(28,123)	(2,181)	(30,304)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Exchange realignment	-	-	-	-	-	-	(11)	-	(11)	-	(11)
Total comprehensive income 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>-</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>
At 1 January 2010	111,752	770,264	6,044	276,375	3,059	-	68,166	(129,865)	1,105,795	151,978	1,257,773
Recognition of equity settled share-based compensation	-	-	-	-	68	-	-	-	68	-	68
Exercise of share options	33	1,578	-	-	(889)	-	-	-	722	-	722
Transfer to accumulated losses	-	-	-	-	(420)	-	-	420	-	-	-
Contribution from a shareholder	-	-	-	15,187	-	-	-	-	15,187	-	15,187
Transactions with owners	<u>33</u>	<u>1,578</u>	<u>-</u>	<u>15,187</u>	<u>(1,241)</u>	<u>-</u>	<u>-</u>	<u>420</u>	<u>15,977</u>	<u>-</u>	<u>15,977</u>
Profit for the period	-	-	-	-	-	-	-	670,837	670,837	170,256	841,093
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Exchange realignment	-	-	-	-	-	-	10,122	-	10,122	2,404	12,526
Total comprehensive income for the period	-	-	-	-	-	-	10,122	670,837	680,959	172,660	853,619
At 30 June 2010	<u>111,785</u>	<u>771,842</u>	<u>6,044</u>	<u>291,562</u>	<u>1,818</u>	<u>-</u>	<u>78,288</u>	<u>541,392</u>	<u>1,802,731</u>	<u>324,638</u>	<u>2,127,369</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(138,811)	(50,232)
Net cash used in investing activities	(275,252)	(137,988)
Net cash from financing activities	<u>400,811</u>	<u>187,310</u>
Net decrease in cash and cash equivalents	(13,252)	(910)
Cash and cash equivalents, beginning of the period	68,486	34,757
Effect of foreign exchange rate changes	<u>2,153</u>	<u>-</u>
Cash and cash equivalents, end of the period	<u><u>57,387</u></u>	<u><u>33,847</u></u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<u><u>57,387</u></u>	<u><u>33,847</u></u>

Notes:

## 1. BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months and six months ended 30 June 2010 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 2009 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 (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 2009.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

### *Amendments to HKAS 40 Investment Property*

As part of Improvements to HKFRSs (2008), HKAS40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable) rather than at cost. The Group has applied it prospectively from 1 January 2009.

The Group transferred the "Properties under development" for building of the commercial complex, *Fortuna Plaza* in Shenyang, the PRC from "Current Assets" to "Non-Current Assets" to signify the Group's intention of holding the said property for lease as an investment property during the last quarter of 2009. During the period, the Group reclassified the said "Properties under development" to "Investment property" and measured it at fair value as evidenced by the existence of operating lease agreements entered with tenants according to the provisions of HKAS 40. As a result, an increase of approximately HK\$1,148,026,000 in fair value of the investment property was recognised and was offset by a deferred tax expense of approximately HK\$287,006,000 in the consolidated income statement for the six months ended 30 June 2010. As at 30 June 2010, the impact was to decrease "Properties under development" by HK\$1,282,079,000, to increase "Investment property" by HK\$2,430,105,000, to increase "Deferred tax liabilities" by HK\$287,006,000, to increase "Reserves" by HK\$861,020,000 and to increase "Non-controlling interests" by HK\$172,204,000.

## 3. REVENUE

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

## 4. SEGMENT INFORMATION

### (a) Business segments

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

	Revenue		Contribution to operating profit/(loss)	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Publications	13,763	10,989	1,637	(3,534)
Property investment and development	–	–	1,131,378	(11,373)
Unallocated	–	–	(381)	(923)
	<u>13,763</u>	<u>10,989</u>	<u>1,132,634</u>	<u>(15,830)</u>

(b) Geographical segments

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

	Revenue		Contribution to operating profit/(loss)	
	Six months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	13,763	10,989	1,256	(4,457)
Other regions of the People's Republic of China (the "PRC")	—	—	1,131,378	(11,373)
	<u>13,763</u>	<u>10,989</u>	<u>1,132,634</u>	<u>(15,830)</u>

5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) for the three months and six months ended 30 June 2010 is arrived at after charging depreciation of HK\$153,000 and HK\$288,000 respectively (three months and six months ended 30 June 2009: HK\$141,000 and HK\$269,000 respectively).

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest charged on bank borrowings repayable within five years	6,671	1,409	12,028	2,739
Non-cash imputed interest on convertible notes	—	7,277	—	14,474
Interest charged on loans from shareholders ( <i>Note</i> )	<u>3,379</u>	<u>—</u>	<u>4,535</u>	<u>—</u>
Total interest	10,050	8,686	16,563	17,213
Less: interest capitalized on properties under development	<u>(6,671)</u>	<u>(1,409)</u>	<u>(12,028)</u>	<u>(2,739)</u>
	<u>3,379</u>	<u>7,277</u>	<u>4,535</u>	<u>14,474</u>

*Note:* On 1 March 2010, the Company has entered into certain loan agreements with two shareholders of the Company for shareholder's loans of total HK\$270 million to provide the Company with capital to acquire a property project in the People's Republic of China. The loans are unsecured, interest-bearing at the prime lending rate charged from time to time by The HongKong and Shanghai Banking Corporation Limited. No repayment is required until the Company is financially capable to do so.

7. 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 2010 (three months and six months ended 30 June 2009: Nil).

The PRC income tax is calculated at the rates applicable in mainland China. The income tax expense for the period represents the deferred tax expense on the increase in fair value of investment property.



## 8. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2010 is based on the unaudited profit attributable to the equity holders of the Company of HK\$677,549,000 and HK\$670,837,000 respectively (three months and six months ended 30 June 2009: unaudited loss of HK\$15,026,000 and HK\$28,123,000 respectively) and on the weighted average number of 11,176,192,788 shares in issue (three months and six months ended 30 June 2009: 506,498,344 shares).

Diluted earnings 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. DEPOSIT PAID AND PREPAYMENTS

On 3 March 2010, the Group successfully won the bid by way of public tender for acquisition of land use right in respect of a piece of land for another property development project in Huanggu District (皇姑區), Shenyang, the PRC, with a site area of approximately 67,000 square metres for a consideration of approximately HK\$1,336 million. An initial deposit of approximately HK\$267 million was paid on 3 March 2010 and was recorded as "Deposit paid and prepayments" in the condensed consolidated statement of financial position of the Group. Please refer to the Company's announcement made on 3 March 2010 for further details.

## 11. INVESTMENT PROPERTY

	As at 30 June 2010 <i>HK\$'000</i> (Unaudited)	As at 31 December 2009 <i>HK\$'000</i> (Audited)
Balance at beginning of period/year	–	–
Reclassification from properties under development	1,142,673	–
Construction costs incurred during the period	128,239	–
Effect of foreign currency exchange differences	11,167	–
Increase in fair value during the period/year	<u>1,148,026</u>	<u>–</u>
Balance at the end of the period/year	<u><u>2,430,105</u></u>	<u><u>–</u></u>

During the period, the Group reclassified the previous "Properties under development" to "Investment property" and measured it at fair value as evidenced by the existence of operating lease agreements entered with tenants according to the provisions of HKAS 40.

The fair value of the Group's investment property as at 30 June 2010 was arrived at on the basis of a valuation carried out at that date by Jones Lang LaSalle, an independent qualified professional valuer not connected to the Group. Jones Lang LaSalle is a member of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation was arrived at using the income capitalisation approach based on the capitalisation of the fully leased, current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yield to arrive at the capital value at the valuation date.

The Group's investment property is pledged to secure certain banking facilities granted to the Group.

## 12. 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 2010 <i>HK\$'000</i> (Unaudited)	As at 31 December 2009 <i>HK\$'000</i> (Audited)
0 – 30 days	1,826	1,495
31 – 60 days	1,326	1,016
61 – 90 days	683	1,006
91 – 180 days	490	724
Over 180 days	451	277
	<u>4,776</u>	<u>4,518</u>

## 13. TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2010 <i>HK\$'000</i> (Unaudited)	As at 31 December 2009 <i>HK\$'000</i> (Audited)
0 – 30 days	1,377	1,150
31 – 60 days	358	578
61 – 90 days	293	726
91 – 180 days	453	969
Over 180 days	6,022	2,830
	<u>8,503</u>	<u>6,253</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a net profit of HK\$841.1 million for the six months ended 30 June 2010 contrasted to a loss of HK\$30.3 million for the same period in 2009. The net profit in the current period is mainly attributable to the increase in fair value of an investment property. The increase in advertising income from the publication business was offset by the increase in administrative and other operating expenses incurred for our major property development project, *Fortuna Plaza* in Shenyang during the period.

## BUSINESS REVIEW

### Property Investment and Development

The major property development projects held by the Group are either pending for opening or still under progress and there is no turnover recorded for this segment during the six months ended 30 June 2010. During the period, there was significant increase in administrative and other operating expenses because of the recruitment of marketing teams and the launch of promotional campaigns of *Fortuna Plaza*, a shopping complex of gross floor area over 110,000 square metres in Shenyang which is our key investment in the PRC pending for grand opening later this year. The operating profit of this segment is HK\$1,131.4 million for the six months ended 30 June 2010 as compared with an operating loss of HK\$11.4 million for the six months ended 30 June 2009.

#### *Shenyang property projects*

The marketing campaign for *Fortuna Plaza* was launched during the first quarter of 2009 and the market response has been highly positive. Up to 30 June 2010, the construction of the concrete structure, major interior equipment and decoration of *Fortuna Plaza* was fully completed. We have employed an independent valuer to evaluate the gross development value of *Fortuna Plaza* in June 2010. Its expected value upon completion of construction was estimated at RMB2.25 billion.

Regarding the property development project in Dadong District (大東區) of Shenyang which the Group acquired in May 2009 with a site area of 44,916 square metres, it is our intention to build a shopping complex to house a diversified range of entertainment and recreational facilities, a wide variety of fine dining restaurants, lifestyle and fashionable retail stores. At 30 June 2010, the Group paid approximately HK\$145 million as deposit for acquisition of the land use right. The Group is discussing with the local government on the relocation plan and the construction design of the project is in progress.

On 3 March 2010, the Group successfully won the bid by way of public tender for acquisition of land use right in respect of a piece of land for another property development project in Huanggu District (皇姑區), Shenyang, the PRC, with a site area of approximately 67,000 square metres for a consideration of approximately HK\$1,336 million. An initial deposit of approximately HK\$267 million was paid on 3 March 2010.

#### *Cangzhou/Hebei property projects*

The construction work of phase one of Zhongjie (中捷) relocation and redevelopment project was completed. The installation of periphery infrastructure such as electricity and water supplies is in final stage. Pre-sale was launched in April 2008 and up to the end of June 2010, 89% of the available for sale units were sold and the cash received of around HK\$14.8 million was recognized as other payables in the condensed consolidated statement of financial position. The Group is in the process of application for property sales permit.

### Publication Business

Profit of HK\$1.6 million was recorded for this segment comparing with a net loss of HK\$3.5 million for the same period last year. The profit for this segment is mainly due to the increase in advertising revenue during the current period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the six months ended 30 June 2010, the Group's operation was financed by internal financial resources, banking facilities and loans from shareholders. 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 2010, the Group had net current assets of HK\$91.1 million (31 December 2009: HK\$94.3 million).

As at 30 June 2010, the Group had a gearing ratio of 23.2% (31 December 2009: 29.3%). The gearing ratio is computed on comparing the Group's total non-current bank borrowings of HK\$492.9 million to the Group's equity of HK\$2,127.4 million.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

On 24 March 2010, the Company announced that it has entered into an Agreement with a company wholly owned by Mr. Ng, the Chairman and substantial shareholder of the Company, for the sale of two shares in Media Bonus Limited and the respective shareholder's loan at a consideration of HK\$100,000.00 subject to the approval of the independent shareholders of the Company. Media Bonus Limited and its subsidiaries are wholly owned subsidiaries of the Company and are engaged in the publication business. Following the sale, the Company ceased to engage in publication business. Please refer to the Company's announcement made on 24 March 2010 and Company's circular issued on 7 June 2010 for further details. Pursuant to the extraordinary general meeting held on 13 July 2010, the disposal had been approved by the independent shareholders of the Company and the transaction had been completed on 15 July 2010.

Other than the above, the Group did not make any material acquisition and disposal during the six months ended 30 June 2010.

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

During the six months ended 30 June 2010, 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 2010, the Group pledged an investment property of the subsidiary to secure banking facilities and did not have any contingent liabilities.

## **EMPLOYEES**

As at 30 June 2010, the total number of employees of the Group was 310 (31 December 2009: 151). Employees' cost (including directors' emoluments) amounted to approximately HK\$16,957,000 for the six months ended 30 June 2010 (six months ended 30 June 2009: approximately HK\$11,900,000).

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 has been completed in the first half of 2010 that will be followed by the grand opening of the shopping mall later this year. The market response to our recent promotion campaign is encouraging. We are confident that, the successful launch of the project will provide a strong support to the Group's cash flow and branding in Shenyang in the near future. This will facilitate the development and marketing of our Dadong District project.

For the new property development project in the Dadong District of Shenyang, the relocation of existing tenants is expected to commence by the end of 2010. 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. 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. The development will serve as the landmark development of the Group in the region in addition to *Fortuna Plaza*, creating a centre point for people to retreat and relax. It is estimated that the entire development period will take about four years.

For the new property development project in the Huanggu District, we plan to develop a complex comprising of a mega shopping mall, A-grade offices, service apartments and residential towers of total gross floor area of approximately 1,000,000 square metres. The Government of Shenyang will be responsible for relocating existing tenants on the site. The Group intends to create a landmark in Shenyang's third commercial centre. The new development aspires to enhance the proposed Chang Jian pedestrian shopping street (長江步行購物街), the third largest commercial centre in Shenyang and one of the most important lifestyle shopping districts, by constructing connections by way of roads, streets, footpaths to existing developments. The brisk development in tourism, entertainment and financial services in Shenyang fits the need to create a new centre point in the region and to provide additional recreational facilities to its neighborhood.

In Hebei, our current relocation projects and land redevelopment projects comprise the Zhongjie and Nandagang (南大港) projects. The progress of the sales procedures and the preparation of legal documentation of the first phase's property in Zhongjie are in the final stage and we anticipate that the project will start to bring revenue contribution to the Group in 2010. Nandagang project involves around 619,000 square metres (930 mu) of site area with the first phase of around 51,000 square metres (77 mu) is undergoing design submission with the local government. Phase two of Zhongjie relocation and redevelopment project has commenced in 2010. Though with higher relocation requirements and rising construction costs, we expect the profitability per square metre of the phase two development will improve as local sales price of property has been rising in the past two years.

On 5 July 2010, the Group has entered into a town development contract with the local authority of Hebei Province for the development of a new town which is situated about 15 kilometers east of Cangzhou City (滄州市), 60 kilometers from Huanghua Port (黃驊港), 120 kilometers from Tianjin and 220 kilometers from Beijing. Huanghua Port is within the Tianjin-Bohai Coastal Economic Development Area (天津渤海沿海經濟開發區) which the Government of Hebei Province has announced to speed up its development. The new town is selected by the local authority as a strategic location for the development and will be the centre where all the government offices of Cang County (滄縣) situate. The site covers a total area of about 24,000 mu, in which about 8,800 mu is reserved for industrial use and about 6,000 mu is reserved for commercial/residential use. The Group's estimated cost for building the infrastructure would be in the region of RMB1 billion. The management believes that with the Group's experience gained from the development of our existing projects and the continuous growth of the economy of Mainland China, the project has excellent investment potential. Please refer to the Company's announcement made on 6 July 2010 for further details.

As for the publication business, on 24 March 2010, the Company announced that it has entered into an agreement with a company wholly owned by Mr. Ng, the Chairman and a substantial shareholder of the Company, for the disposal of the Group's publication business. The sale is classified as a very substantial disposal and connected transaction for the Company and is subject to the approval of the independent shareholders at an extraordinary general meeting to be convened. Following the sale, the Company will cease to engage in publication business. Please refer to the section "Material Acquisitions and Disposals of Subsidiaries and Associates" of this report, the Company's announcement dated 24 March 2010 and the Company's circular issued on 7 June 2010 for details. Pursuant to the extraordinary general meeting held on 13 July 2010, the disposal was approved by the independent shareholders of the Company and the transaction was completed on 15 July 2010.

## CHANGE IN INFORMATION OF DIRECTORS

Mr. Cheng Yuk Wo, an Independent Non-executive Director of the Company, has been re-designated from an independent non-executive director to an executive director of 21 Holdings Limited with effect from 1 May 2010.

Ms. Pong Oi Lan, Scarlett, J.P., an Independent Non-executive Director of the Company, has been appointed as a Justice of the Peace (“J.P.”) in July 2010. She is currently the chairman of The Outstanding Young Persons’ Association and a part-time lecturer of Master of Science in Women’s Health Studies & Postgraduate Diploma in Women’s Health Studies, The Chinese University of Hong Kong. She ceased to be a member of each of Innovation Technology Commission, SERAP Assessment Panel and Committee on Trust Fund for Severe Acute Respiratory Syndrome.

A monthly salary of HK\$40,000 was paid to Mr. Ng Yuk Yeung, Paul, an Executive Director and the Chief Executive Officer of the Company with effect from 1 January 2010 and was increased to HK\$90,000 with effect from 1 April 2010.

The director’s fee payable to each of Dr. Lo Wing Yan, William, J.P., Ms. Pong Oi Lan, Scarlett, J.P. and Mr. Cheng Yuk Wo was increased from HK\$50,000 to HK\$75,000 per annum for his/her role as an Independent Non-executive Director of the Company with effect from 1 January 2010.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

## 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 2010, 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

#### A. Long position in shares

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang (“Mr. Ng”)	Beneficial owner	363,393,739	7,429,956,667	66.47%
	Interests of spouse	967,923,774		
	Interest of controlled corporations	6,098,639,154 (Note a)		
Ng Yuk Yeung, Paul (“Paul Ng”)	Beneficial owner		2,602,667	0.02%
Ng Yuk Fung, Peter (“Peter Ng”)	Beneficial owner		1,666,667	0.01%

#### B. Long position in the underlying shares

##### Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Paul Ng	Beneficial owner	3,333,333 (Note b)	0.03%
Peter Ng	Beneficial owner	3,333,333 (Note b)	0.03%

*Notes:*

- (a) The 6,098,639,154 shares of the Company held by Mr. Ng through controlled corporations include 1,088,784,847, 1,150,004,797, 1,817,140,364, 1,728,362,917, 76,464,373 and 237,881,856 shares held by Bannock Investment Limited (“Bannock”), Eartrade Investments Limited (“Eartrade”), Fung Shing Group Limited (“Fung Shing”), Parkfield Holdings Limited (“Parkfield”), Ronastar Investments Limited (“Ronastar”) and Worldunity Investments Limited (“Worldunity”) respectively. Fung Shing, Parkfield and Ronastar are wholly-owned by Mr. Ng. Mr. Ng holds Worldunity indirectly through 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 237,881,856 shares held by Worldunity and 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. Details of which are set out in the following section headed “Share Option Scheme”.

Save as disclosed above, as at 30 June 2010, 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) 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 2010, 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:

##### **Long position**

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Eartrade	Beneficial owner and interest of controlled corporation	2,238,789,644 ( <i>Note a</i> )	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 ( <i>Note a</i> )	9.74%
Ng Lai King, Pamela (“Mrs. Ng”)	Beneficial owner and interest of spouse	7,429,956,667 ( <i>Note b</i> )	66.47%

*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) Mrs. Ng is the beneficial owner of 967,923,774 shares and is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Mrs. Ng is deemed to be interested in, 967,923,774 shares and is the beneficial owner of the 363,393,739 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 June 2010, 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 2010 were as follows:

Name and category of participant	Date of grant of share options	Number of share options					Outstanding as at 30.6.2010	Exercise period of share options	Exercise price per share option (Note a) HK\$	Price of shares immediately preceding the exercise date of share option (Note b) HK\$	Weighted average closing price of shares immediately preceding the exercise date of share option HK\$
		Outstanding as at 1.1.2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					
<b>Director</b>											
Ng Yuk Yeung, Paul	14.03.2007	5,000,000	-	1,666,667	-	-	3,333,333	14.03.2008 – 13.03.2012	0.2166	0.2000	0.2800
Ng Yuk Fung, Peter	14.03.2007	5,000,000	-	1,666,667	-	-	3,333,333	14.03.2008 – 13.03.2012	0.2166	0.2000	0.2900
Sub-total		10,000,000	-	3,333,334	-	-	6,666,666				
<b>Others (In aggregate)</b>											
	14.03.2007	333,334	-	-	-	-	333,334	14.03.2008 – 13.03.2012	0.2166	-	-
	02.04.2007	3,000,000	-	-	1,000,000	-	2,000,000	02.04.2008 – 01.04.2012	0.3150	-	-
	10.05.2007	666,666	-	-	-	-	666,666	10.05.2008 – 09.05.2012	0.3100	-	-
Sub-total		4,000,000	-	-	1,000,000	-	3,000,000				
Total		14,000,000	-	-	1,000,000	-	9,666,666				



Notes:

- (a) 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 <sup>1</sup> / <sub>3</sub> %
25th – 48th months	33 <sup>1</sup> / <sub>3</sub> %
37th – 60th months	33 <sup>1</sup> / <sub>3</sub> %

- (b) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the exercise of the share options.

In total, HK\$68,000 of employee compensation expense has been included in the consolidated income statement for the six months ended 30 June 2010 (2009: HK\$292,000) with a corresponding credit in equity.

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

Mr. Ng, the Chairman and controlling shareholder of the Company, is also the chairman of SCH and South China (China) Limited ("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.

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 SCH and SCC and there is no direct competition amongst the three listed groups.

Mr. Ng is the controlling shareholder of South China Media Limited ("SC Media"), Jessica Publications (BVI) Limited ("Jessica") and Ace Market Investments Limited ("Ace Market") and is a director of SC Media and Ace Market, and each of Ms. Jessica Ng and Mr. Peter Ng is a director of SC Media, Jessica and Ace Market. SC Media, Jessica and Ace Market are principally engaged in the publication businesses 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 Ace Market 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 Ace Market. Further, the Company has announced and completed its sale of publication business on 24 March 2010 and 15 July 2010 respectively, there will not be any issue of competing business following the sale.

Save as disclosed above, as at 30 June 2010, 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 2010.

## **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 2010.

## **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 standards of dealings and its code of conduct regarding directors' securities transaction throughout the six months ended 30 June 2010.

## **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, J.P. and Ms. Pong Oi Lan, Scarlett, J.P.

The Group's unaudited results for the six months ended 30 June 2010 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, 10 August 2010

*As at the date of this report, the Board of the Company are (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 as non-executive director and (3) Dr. Lo Wing Yan, William, J.P., Mr. Cheng Yuk Wo and Ms. Pong Oi Lan, Scarlett, J.P. as independent non-executive directors.*