



**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 2011**

**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 2011, together with the comparative unaudited figures for the corresponding period in 2010, are as follows:

### CONSOLIDATED INCOME STATEMENT

	Note	Three months ended 30 June		Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
<b>Continuing operations</b>					
Revenue	2 & 3	1,613	–	3,124	–
Other operating income		(36)	30	105	86
Increase in fair value of investment properties		–	1,148,026	–	1,148,026
Gain on disposal of subsidiaries	10	–	–	3,124	–
Selling and distribution costs		(2,224)	(2,580)	(4,728)	(5,077)
Administrative and other operating expenses		(8,149)	(7,104)	(18,205)	(12,038)
Operating (loss)/profit	4	(8,796)	1,138,372	(16,580)	1,130,997
Finance costs	5	(5,654)	(3,379)	(15,154)	(4,535)
(Loss)/profit before income tax		(14,450)	1,134,993	(31,734)	1,126,462
Income tax expense	6	–	(287,006)	–	(287,006)
(Loss)/profit for the period from continuing operations		(14,450)	847,987	(31,734)	839,456
<b>Discontinued operations</b>					
Profit from discontinued operations	9	–	780	–	1,637
<b>(Loss)/profit for the period</b>		<b>(14,450)</b>	<b>848,767</b>	<b>(31,734)</b>	<b>841,093</b>
<b>Attributable to</b>					
Equity holders of the Company		(12,604)	677,549	(26,544)	670,837
Non-controlling interests		(1,846)	171,218	(5,190)	170,256
		<b>(14,450)</b>	<b>848,767</b>	<b>(31,734)</b>	<b>841,093</b>
<b>(Loss)/profit per share for loss/profit attributable to the equity holders of the Company during the period</b>					
<b>Basic</b>					
- (Loss)/profit from continuing and discontinued operations	8	(0.1) cent	6.1 cents	(0.2) cent	6.0 cents
- (Loss)/profit from continuing operations		(0.1) cent	6.1 cents	(0.2) cent	6.0 cents
- Profit from discontinued operations		N/A	0.01 cent	N/A	0.01 cent
<b>Diluted</b>					
- Profit from continuing and discontinued operations		N/A	0.01 cent	N/A	0.01 cent

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
(Loss)/profit for the period	(14,450)	848,767	(31,734)	841,093
<b>Other comprehensive income for the period</b>				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>14,336</u>	<u>10,991</u>	<u>23,189</u>	<u>12,526</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(114)</u></b>	<b><u>859,758</u></b>	<b><u>(8,545)</u></b>	<b><u>853,619</u></b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	746	686,241	(5,931)	680,959
Non-controlling interests	<u>(860)</u>	<u>173,517</u>	<u>(2,614)</u>	<u>172,660</u>
	<b><u>(114)</u></b>	<b><u>859,758</u></b>	<b><u>(8,545)</u></b>	<b><u>853,619</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 30 June 2011 <i>HK\$'000</i> (Unaudited)	As at 31 December 2010 <i>HK\$'000</i> (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,200	4,138
Prepaid land lease payments		–	4,646
Investment properties		2,720,665	2,663,437
Goodwill		355,326	355,326
Deposit paid, prepayments and other receivables		437,227	428,660
		<u>3,517,418</u>	<u>3,456,207</u>
<b>CURRENT ASSETS</b>			
Properties under development		31,704	15,528
Trade receivables	11	457	141
Deposit paid, prepayments and other receivables	12	13,828	12,234
Amount due from a minority shareholder of a subsidiary		52,218	50,877
Cash and bank balances		109,336	100,769
		<u>207,543</u>	<u>179,549</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	9,837	7,936
Other payables, accrued expenses and receipts in advance		48,832	56,937
Amounts due to related companies		3,883	721
Loan from a related company		78,000	–
Bank borrowings		–	578,254
		<u>140,552</u>	<u>643,848</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>66,991</u>	<u>(464,299)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,584,409</u>	<u>2,991,908</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		588,157	–
Loans from shareholders		349,210	336,321
Deferred tax liabilities		428,250	428,250
		<u>1,365,617</u>	<u>764,571</u>
<b>Net assets</b>		<u>2,218,792</u>	<u>2,227,337</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		111,785	111,785
Reserves		1,764,876	1,770,807
		<u>1,876,661</u>	<u>1,882,592</u>
Non-controlling interests		342,131	344,745
<b>Total equity</b>		<u>2,218,792</u>	<u>2,227,337</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital contribution reserve HK\$'000	Employee compensation reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
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
<b>Transactions with owners</b>										
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	-	-	-
Other contribution from a shareholder	-	-	-	15,187	-	-	-	15,187	-	15,187
Transactions with owners	33	1,578	-	15,187	(1,241)	-	420	15,977	-	15,977
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	670,837	670,837	170,256	841,093
<b>Other comprehensive income</b>										
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
<b>At 30 June 2010</b>	<b>111,785</b>	<b>771,842</b>	<b>6,044</b>	<b>291,562</b>	<b>1,818</b>	<b>78,288</b>	<b>541,392</b>	<b>1,802,731</b>	<b>324,638</b>	<b>2,127,369</b>
At 1 January 2011	111,785	771,842	6,044	291,562	1,818	115,382	584,159	1,882,592	344,745	2,227,337
<b>Transactions with owners</b>										
Transfer to accumulated losses	-	-	-	-	(1,713)	-	1,713	-	-	-
Transfer of reserve upon disposal of subsidiaries	-	-	-	-	-	(1,105)	1,105	-	-	-
Transactions with owners	-	-	-	-	(1,713)	(1,105)	2,818	-	-	-
<b>Comprehensive income</b>										
Loss for the period	-	-	-	-	-	-	(26,544)	(26,544)	(5,190)	(31,734)
<b>Other comprehensive income</b>										
Exchange realignment	-	-	-	-	-	20,613	-	20,613	2,576	23,189
Total comprehensive income for the period	-	-	-	-	-	20,613	(26,544)	(5,931)	(2,614)	(8,545)
<b>At 30 June 2011</b>	<b>111,785</b>	<b>771,842</b>	<b>6,044</b>	<b>291,562</b>	<b>105</b>	<b>134,890</b>	<b>560,433</b>	<b>1,876,661</b>	<b>342,131</b>	<b>2,218,792</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(629)	(138,811)
Net cash used in investing activities	(61,180)	(275,252)
Net cash generated from financing activities	<u>68,923</u>	<u>400,811</u>
Net increase/(decrease) in cash and cash equivalents	7,114	(13,252)
Cash and cash equivalents, beginning of the period	100,769	68,486
Effect of foreign exchange rate changes	<u>1,453</u>	<u>2,153</u>
Cash and cash equivalents, end of the period	<u><u>109,336</u></u>	<u><u>57,387</u></u>
Analysis of the balance of cash and cash equivalents		
Cash and bank balances	<u><u>109,336</u></u>	<u><u>57,387</u></u>

Notes:

## 1. BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months and six months ended 30 June 2011 has not been audited by the Company's auditor but has been reviewed by the Company's audit committee.

These unaudited interim financial statements should be read in conjunction with the 2010 annual report.

The unaudited condensed 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 GEM of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of the unaudited interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2011, as disclosed in the annual financial statement for the year ended 31 December 2010. The adoption of these new Hong Kong Financial Reporting Standards does not have significant impact on the Group's results of operations and financial position.

## 2. REVENUE

Revenue comprises leasing and management fee income from the Group's investment properties.

## 3. SEGMENT INFORMATION

### (a) Business segments

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

	Continuing operations		Discontinued operations		Total	
	Property investment and development		Magazine Publications			
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue	3,124	–	–	13,763	3,124	13,763
<b>Group revenue</b>	<b>3,124</b>	<b>–</b>	<b>–</b>	<b>13,763</b>	<b>3,124</b>	<b>13,763</b>
Reportable segment (loss)/profit	(16,629)	(16,648)	–	1,637	(16,629)	(15,011)
Other corporate expenses	(3,075)	(1,537)	–	–	(3,075)	(1,537)
Finance costs	(15,154)	(3,379)	–	–	(15,154)	(3,379)
Increase in fair value of investment properties	–	1,148,026	–	–	–	1,148,026
Gain on disposal of subsidiaries	3,124	–	–	–	3,124	–
(Loss)/profit before income tax	<b>(31,734)</b>	<b>1,126,462</b>	<b>–</b>	<b>1,637</b>	<b>(31,734)</b>	<b>1,128,099</b>

3. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

An analysis of the Group's revenue by geographical location is as follows:

	Revenue from external customers			
	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong (domicile)	–	6,687	–	13,763
The PRC	1,613	–	3,124	–
	<u>1,613</u>	<u>6,687</u>	<u>3,124</u>	<u>13,763</u>

4. OPERATING (LOSS)/PROFIT FROM CONTINUING OPERATIONS

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating (loss)/profit is arrived at after charging/(crediting):				
Exchange loss, net	3,999	182	4,164	616
Depreciation	283	96	590	170
Employee benefit expense (including directors' emoluments)	5,378	6,337	11,711	8,915
Less: Employee benefit expense capitalised in properties under development	(2,951)	–	(6,842)	–
	<u>2,427</u>	<u>6,337</u>	<u>4,869</u>	<u>8,915</u>
Operating lease rentals	264	56	569	361
Gross rental income from investment properties	(1,613)	–	(3,124)	–
Less: Direct operating expenses arising from investment properties that generated rental income during the period	349	–	2,343	–
	<u>(1,264)</u>	<u>–</u>	<u>(781)</u>	<u>–</u>



## 5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interest charged on bank borrowings repayable within five years	4,642	6,671	13,960	12,028
Interest charged on loans from shareholders ( <i>Note 1</i> )	4,458	3,379	8,214	4,535
Interest charged on loan from a related company ( <i>Note 2</i> )	972	–	1,154	–
Total interest	10,072	10,050	23,328	16,563
Less: interest capitalized on properties under development	(4,418)	(6,671)	(8,174)	(12,028)
	<u>5,654</u>	<u>3,379</u>	<u>15,154</u>	<u>4,535</u>

*Note:*

- (1) Amongst other shareholders' loans, on 1 June 2011, the Group entered into certain loan agreement with a shareholder for a loan of HK\$12.51 million for funding the working capital requirement. The loan is unsecured, interest bearing at the prime lending rate charged from time to time by The Hong Kong and Shanghai Banking Corporation Limited and repayable on demand.
- (2) On 15 March 2011, the Company entered into certain loan agreement with the subsidiary of South China (China) Limited, a related company of the Group, for a loan of HK\$78 million for funding the working capital requirement. The loan is unsecured, interest bearing at the prime lending rate charged from time to time by The Hong Kong and Shanghai Banking Corporation Limited and repayable on demand.

## 6. INCOME TAX EXPENSE

No provision for 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 2011 (three months and six months ended 30 June 2010: Nil).

No provision for the PRC enterprise income taxes has been made during the period as the subsidiaries operated in the PRC had no assessable profits for the three months and six months ended 30 June 2011 (three months and six months ended 30 June 2010: Nil).

## 7. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

## 8. (LOSS)/PROFIT PER SHARE

The calculation of the basic (loss)/profit per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
Unaudited (loss)/profit attributable to owners of the Company, used in the basic loss/profit per share calculation				
- continuing operations	(12,604)	676,769	(26,544)	669,200
- discontinued operations	—	780	—	1,637
	<u>(12,604)</u>	<u>677,549</u>	<u>(26,544)</u>	<u>670,837</u>
	Three months ended 30 June		Six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
Weighted average number of ordinary shares				
- for the purpose of basic loss/profit per share calculation	<u>11,175,165,010</u>	<u>11,176,192,788</u>	<u>11,175,165,010</u>	<u>11,176,192,788</u>

## 9. DISCONTINUED OPERATIONS

On 24 March 2010, the Company announced that it had entered into an agreement with a company wholly owned by Mr. Ng, the Chairman and a 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 subject to the approval of the independent shareholders of the Company. Media Bonus Limited and its subsidiaries (the "Media Bonus Group") 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. The disposal was approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 July 2010 and the transaction was completed on 15 July 2010.

Following the disposal, Media Bonus Group ceased to be subsidiaries of the Company and the publication business which was carried out by the Media Bonus Group became a discontinued operations. Results of the Media Bonus Group then ceased to be accounted for in the consolidated financial statements of the Group. The results from Media Bonus Group during the period are presented below:

	For the three months ended 30 June 2010 <i>HK\$'000</i>	For the six months ended 30 June 2010 <i>HK\$'000</i>
Revenue	6,687	13,763
Direct operating expenses	(3,263)	(6,119)
Selling and distribution costs	(1,881)	(4,093)
Administrative and other operating expenses	<u>(763)</u>	<u>(1,914)</u>
Profit before income tax	780	1,637
Income tax expenses	<u>—</u>	<u>—</u>
Profit from discontinued operations	<u>780</u>	<u>1,637</u>

## 10 DISPOSAL OF SUBSIDIARIES

Pursuant to the sale and purchase agreement dated 11 January 2011 entered between Crystal Hub Limited, a subsidiary of the Company and South China Industries (BVI) Limited, a fellow subsidiary of the Company, Crystal Hub Limited had agreed to sell its entire equity interests in Autowill Group and the shareholder's loan to South China Industries (BVI) Limited for a consideration of HK\$24.1 million subject to adjustment in accordance with the terms of the agreement. Please refer to the Company's announcement made on 11 January 2011 for further details. The transaction was completed on 31 March 2011.

## 11. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its customers.

The following is an aging analysis of trade receivables:

	As at 30 June 2011 <i>HK\$'000</i> (Unaudited)	As at 31 December 2010 <i>HK\$'000</i> (Audited)
0 – 30 days	–	141
31 – 60 days	314	–
Over 90 days	143	–
	<u>457</u>	<u>141</u>

## 12. PROMISSORY PAYMENT

On 23 May 2011, the Group entered into an agreement with the Local Authority for investing into an Urban Complex Development Project (the "Project") which includes the development of commercial, financial services, entertainment, office and residential areas in Huanghua New City (黃驊新城) of Hebei. The site covers a total area of about 457 mu and the total investment will be RMB1.6 billion. As at 30 June 2011, a promissory payment of RMB 2 million was paid in full to local authority. Please refer to the Company's announcement made on 23 May 2011.

## 13. TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2011 <i>HK\$'000</i> (Unaudited)	As at 31 December 2010 <i>HK\$'000</i> (Audited)
0 – 30 days	4,215	3,510
31 – 60 days	–	520
61 – 90 days	–	174
91 – 180 days	2,019	1,935
Over 180 days	3,603	1,797
	<u>9,837</u>	<u>7,936</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

Due to the preparation of opening of **Fortuna Plaza** following its completion of construction, the Group recorded a loss attributable to the Company for the six months ended 30 June 2011 amounting to HK\$26.54 million (six months ended 30 June 2010: profit of HK\$670.84 million).

The Group's revenue for the six months ended 30 June 2011, being the leasing and management fee income received from **Fortuna Plaza's** initial operation, was HK\$3.12 million.

During the period under review, the administrative and other operating expenses were HK\$18.21 million (six months ended 30 June 2010: HK\$12.04 million). The increase was mainly attributed to the higher operating expenses incurred for **Fortuna Plaza** since its opening.

Finance costs totalling HK\$15.15 million represent interest expenses in relation to bank borrowings, loans from shareholders and loan from a related company (six months ended 30 June 2010: HK\$4.54 million). Interests of all the bank borrowings, equivalent to HK\$12.03 million for the six months ended 30 June 2010, were wholly capitalised on the project of **Fortuna Plaza** as it was under construction. However, the same was charged to income statement for the six months ended 30 June 2011 upon its completion and commencement of initial operations and more finance costs were incurred in this period accordingly.

Upon disposal of the subsidiaries during the period, the Group recorded a gain of HK\$3.1 million in this transaction for the six months ended 30 June 2011.

### Business Review

#### **Property Investment and Development**

The China government will continue with its tightening measures, including home-purchase restrictions in some major cities, which may also be extended to some second-tier and third-tier cities where property prices are rising too quickly. As such, the growth of residential transactions in most cities have slowed down. However, due to solid demand from the end users, the residential prices steadily increased in the second quarter of 2011 in Shenyang.

Though new supply from large-scale retail projects are coming on stream in Shenyang, the downward pressure on rentals is relieved by the expanding of middle to high-end brands and the entertainment sectors in the area.

#### *Shenyang property projects*

**Fortuna Plaza**, a shopping complex of gross floor area of over 110,000 square meters in Shenyang, is our key investment in the PRC. The loss before income tax of this segment is HK\$16.63 million for the six months ended 30 June 2011 as compared with an operating loss of HK\$16.65 million for the six months ended 30 June 2010. Approximately 60% of the gross rental areas had been leased out which contributed HK\$3.12 million of leasing and management fee income to the Group's revenue for the six months ended 30 June 2011. Same as other shopping arcades under initial operations, the relatively low rental income is due to the rent-free period granted to tenants and lower turnover rentals received from tenants which are under the joint business leasing.

With regards to the Dadong District (大東區) property development project with a site area of 44,916 square meters, it is management's intention to build a shopping complex to house a diversified range of entertainment and recreational facilities, a wide variety of fine dining restaurants and fashionable retail stores. As of 30 June 2011, the Group paid approximately HK\$150 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.

For the property development project in Huanggu District (皇姑區) with a site area of approximately 67,000 square meters, the total consideration was approximately HK\$1,418 million and approximately HK\$284 million was paid. It is the Group's intention to build a multi-purpose development with luxury residential flats, A-grade offices and an upscale shopping mall.

#### *Cangzhou/Hebei property projects*

The construction work of phase one of Zhongjie (中捷) relocation and redevelopment project was completed. The development area of phase one is approximately 6,000 square meters and there remains an additional 130,000 square meters in the vicinity which may become available to the Group for redevelopment. Phase two of Zhongjie (中捷) relocation and redevelopment project commenced in 2010. The Group is currently discussing with the local government on details of implementation before further work can be carried out.

The Group is involved in 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 (黃驊港) is within the Tianjin-Bohai Coastal Economic Development Area (天津渤海沿海經濟開發區). The new town has been selected by the local authority as a strategic location for the development of the area and will be the center of all the government offices of Cang County (滄縣). The site covers a total area of about 24,000 mu, of 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 the infrastructure construction would be in the region of about RMB 1 billion. The management believes that, with the continuous growth of the economy of Mainland China, the Cangzhou City (滄州市) project has an excellent investment potential.

#### **Liquidity and Financial Resources**

During the six months ended 30 June 2011, the Group's operation was financed by internal resources, banking facilities, and loans from shareholders and a related company. 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 2011, the net current assets of the Group were HK\$67 million (31 December 2010: net current liabilities of HK\$464 million).

As at 30 June 2011, the gearing ratio of the Group was 46% (31 December 2010: 41%). The gearing ratio is computed on comparing the Group's total bank borrowings and loans from shareholders and a related company of HK\$1,015 million to the Group's equity of HK\$2,219 million. The increase is due to additional financing from a related company and a shareholder during the period.

#### **Material Acquisitions or Disposals of Subsidiaries and Associates**

The Group did not make any material acquisition or disposal during the six months ended 30 June 2011.

#### **Exposure to Fluctuations in Exchange Rates or any Related Hedges**

During the six months ended 30 June 2011, the Group had no significant exposure to fluctuations in foreign exchange rates or any related hedges.

#### **Pledge of Assets and Contingent Liabilities**

As at 30 June 2011, the Group pledged certain investment properties of a subsidiary to secure banking facilities and did not have any contingent liabilities.

## Prospects

China is to continue with its tightening policy in 2011 so as to dampen the country's over-heated property market. Property demand in China will remain strong and we expect to see only a slight adjustment in prices this year, if any.

To enhance our occupancy at **Fortuna Plaza**, more marketing activities were held during the period and numbers of quality tenants were lured to open their retail shops at **Fortuna Plaza**. We are confident that more rental areas will be leased out and higher rental income as well as cash inflows to the Group will be expected in the coming year accordingly.

For the new property development project in the Dadong District of Shenyang, the relocation of existing residents is expected to commence soon. Shenyang Government will be responsible for the relocation of those existing residents on the site. We plan to develop a complex comprising a commercial retail podium with a gross floor area of over 503,000 square meters and residential towers of approximately 67,000 square meters, making up a total of approximately 570,000 square meters. The development will serve as the landmark development of the Group in the region in addition to **Fortuna Plaza**.

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

In Hebei, our current land redevelopment projects comprise the Zhongjie (中捷) and Nandagang (南大港) projects. The progress of the sales procedures and the preparation of legal documentation of the first phase properties in Zhongjie (中捷) are at the final stage and we are confident that the project will start to bring in revenue contribution to the Group in the near future. The Nandagang (南大港) project involves around 620,000 square meters (930 mu) of site area with the first phase of around 50,000 square meters (75 mu) which is undergoing design submission with the local government. Notwithstanding higher relocation requirements and rising construction costs, we expect the profitability per square metre of the phase two development to improve as local sales prices of property has been rising in the past two years.

On 23 May 2011, the Group entered into an agreement with the Local Authority for investing in an Urban Complex Development Project (the "Project") which includes the development of commercial, financial services, entertainment, office and residential areas in Huanghua New City (黃驊新城). The site covers a total area of about 457 mu and the total investment will be RMB1.6 billion. The site is situated in the northwest of Jinguan Lake (景觀湖) in the centre of Huanghua New City (黃驊新城). According to the master development plan of Huanghua New City (黃驊新城), major development for the site will include office headquarters, mega shopping malls, entertainment business area and A-grade residential towers.

## **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 2011, 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	7,495,060,667	67.05%
	Interests of spouse	967,923,774		
	Interest of controlled corporations	6,163,743,154 (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	1,666,666 (Note b)	0.01%
Peter Ng	Beneficial owner	1,666,666 (Note b)	0.01%

#### Notes:

- (a) The 6,163,743,154 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"), 237,881,856 shares held by Worldunity Investments Limited ("Worldunity") and 65,104,000 shares held by South China Strategic Limited ("SC Strategic"). Fung Shing, Parkfield and Ronastar are all wholly-owned by Mr. Ng. Mr. Ng holds Worldunity and SC Strategic indirectly via South China Holdings Limited ("SCH") and South China (China) Limited ("SCC") respectively, which is owned as to 73.72% and 63.01% 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, the 65,104,000 shares held by SC Strategic 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. 1,666,667 share options of each of Mr. Peter Ng and Mr. Paul Ng has been lapsed on 14 March 2011 due to non-exercised. The number of outstanding options granted to each of Mr. Peter Ng and Mr. Paul Ng at 1 January 2010 and 31 March 2010 is 3,333,333 and 1,666,666 share options respectively. Details of which are set out in the following section headed "Share Option Scheme".

Save as disclosed above, as at 30 June 2011, 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 2011, the following person, other than the Directors or chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of 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	7,495,060,667 <i>(Note b)</i>	67.05%

#### *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, who holds 967,923,774 shares of the Company beneficially, 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 the 363,393,739 shares and 6,163,743,154 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 2011, 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.

## **EMPLOYEES' SHARE AWARD SCHEME**

On 18 March 2011, the Company adopted an employees' share award scheme (the "Scheme") for recognizing the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the Scheme, a sum up to and not exceeding HK\$20 million will be used within one year from the date of adoption of the Scheme for the purchase of shares of the Company and/or SCC (the "Shares") from market which will be held on trust by the trustee for the selected employees of the Group. The selected employees and the reference awarded sum for the purchase of Shares to be awarded shall be determined by the Board from time to time at its absolute discretion.

Unless terminated earlier by the Board or all awarded Shares have been vested, the Scheme shall be valid and effective for a term of 15 years commencing on the date of adoption.



As at 30 June 2011, 1,472,000 shares of the Company and 432,000 shares of SCC were granted to the employees (without Directors) under the Share Award Scheme, and the above Shares will be vested to the selected employees upon their completion of 18 months of service with the Company or on 31 December 2012, whichever is later.

No Shares have been lapsed or vested during the six months ended 30 June 2011. The Company recognized a share award expense of HK\$28,000 (2010: Nil) during the six months ended 30 June 2011.

## 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 2011 were as follows:

Name and category of participant	Date of grant of share options	Number of share options					Outstanding as at 30.6.2011	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 1.1.2011	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	3,333,333	-	-	1,666,667	-	1,666,666	14.03.2008-13.03.2012	0.2166	0.2000	0.2800
Ng Yuk Fung, Peter	14.03.2007	3,333,333	-	-	1,666,667	-	1,666,666	14.03.2008-13.03.2012	0.2166	0.2000	0.2900
Sub-total		<u>6,666,666</u>	<u>-</u>	<u>-</u>	<u>3,333,334</u>	<u>-</u>	<u>3,333,332</u>				
<b>Others (In aggregate)</b>											
	14.03.2007	333,334	-	-	-	-	333,334	14.03.2008-13.03.2012	0.2166	-	-
	02.04.2007	2,000,000	-	-	1,000,000	-	1,000,000	02.04.2008-01.04.2012	0.3150	-	-
	10.05.2007	666,666	-	-	666,666	-	0	10.05.2008-09.05.2012	0.3100	-	-
Sub-total		<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>1,666,666</u>	<u>-</u>	<u>1,333,334</u>				
Total		<u>9,666,666</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>4,666,666</u>				

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

(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.

No employee compensation expense for the Scheme has been included in the consolidated income statement for the six months ended 30 June 2011 (2010: HK\$68,000).

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

Mr. Ng, the Chairman and a controlling 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. Paul Ng, an Executive Director of the Company with certain interest in the Company, also has certain interest in SCC. Mr. Peter Ng, an Executive Director of the Company with certain interest in the Company, is also an executive director of SCH and SCC with certain interest in 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 with certain interest in 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 business 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.

Save as disclosed above, as at 30 June 2011, 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 2011.

## **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 2011.

## **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 2011 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, 9 August 2011

*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.*