



## **SOUTH CHINA LAND LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8155)**

### **INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2012**

#### **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 (“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 2012, together with the comparative unaudited figures for the corresponding period in 2011, are as follows:

### CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited) (Restated)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited) (Restated)
Revenue	2&3	25,405	1,613	47,288	3,124
Other operating income		178	(36)	243	105
Increase in fair value of investment properties		42,886	–	42,886	–
Selling and distribution costs		(1,041)	(2,224)	(1,103)	(4,728)
Administrative and other operating expenses		(7,546)	(8,149)	(14,362)	(18,205)
<b>Operating profit/(loss)</b>	4	<b>59,882</b>	(8,796)	<b>74,952</b>	(19,704)
Finance costs	5	(11,381)	(5,654)	(23,382)	(15,154)
<b>Profit/(loss) before income tax</b>		<b>48,501</b>	(14,450)	<b>51,570</b>	(34,858)
Income tax expense	6	(10,721)	–	(10,721)	–
<b>Profit/(loss) for the period</b>		<b>37,780</b>	(14,450)	<b>40,849</b>	(34,858)
<b>Profit/(loss) attributable to:</b>					
Equity holders of the Company		25,184	(12,604)	31,078	(29,668)
Non-controlling interests		12,596	(1,846)	9,771	(5,190)
		<b>37,780</b>	(14,450)	<b>40,849</b>	(34,858)
<b>Earning/(loss) per share for profit/loss attributable to the equity holders of the Company during the period</b>	8				
Basic		<b>HK 0.2 cent</b>	HK (0.1) cent	<b>HK 0.3 cent</b>	HK (0.3) cent
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
<b>Profit/(loss) for the period</b>	<b>37,780</b>	(14,450)	<b>40,849</b>	(34,858)
<b>Other comprehensive income for the period</b>				
Exchange differences on translation of financial statements of overseas subsidiaries	(29,178)	28,644	(26,944)	37,497
<b>Total comprehensive income/(loss) for the period</b>	<b>8,602</b>	14,194	<b>13,905</b>	2,639
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	606	11,745	8,034	1,944
Non-controlling interests	7,996	2,449	5,871	695
	<b>8,602</b>	14,194	<b>13,905</b>	2,639

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2012 <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2011 <i>HK\$'000</i> (Unaudited) (Restated)	As at 30 June 2011 <i>HK\$'000</i> (Unaudited) (Restated)	As at 31 December 2010 <i>HK\$'000</i> (Unaudited) (Restated)
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5,148	6,217	4,200	4,138
Prepaid land lease payments	–	–	–	4,646
Investment properties	2,985,984	2,975,087	2,742,727	2,663,437
Goodwill	355,326	355,326	355,326	355,326
Deposit paid, prepayments and other receivables	–	–	437,227	428,660
	<b>3,346,458</b>	<b>3,336,630</b>	<b>3,539,480</b>	<b>3,456,207</b>
<b>Current assets</b>				
Properties under development	96,688	74,922	31,704	15,528
Trade receivables	–	95	457	141
Deposit paid, prepayments and other receivables	699,910	655,692	13,828	12,234
Amount due from a non-controlling shareholder of a subsidiary	52,225	52,923	52,218	50,877
Pledged bank deposits	33,000	32,001	–	–
Cash and cash equivalents	17,016	59,062	109,336	100,769
	<b>898,839</b>	<b>874,695</b>	<b>207,543</b>	<b>179,549</b>
<b>Current liabilities</b>				
Trade payables	61,315	79,401	9,837	7,936
Other payables, accrued expenses and receipts in advance	272,729	181,584	51,956	56,937
Amounts due to a related company	–	–	3,883	721
Loan from a related company	–	–	78,000	–
Bank borrowings	18,282	12,319	–	578,254
	<b>352,326</b>	<b>273,304</b>	<b>143,676</b>	<b>643,848</b>
<b>Net current assets/(liabilities)</b>	<b>546,513</b>	<b>601,391</b>	<b>63,867</b>	<b>(464,299)</b>
<b>Total assets less current liabilities</b>	<b>3,892,971</b>	<b>3,938,021</b>	<b>3,603,347</b>	<b>2,991,908</b>
<b>Non-current liabilities</b>				
Bank borrowings	562,976	580,813	588,157	–
Loan from a related company	78,000	78,000	–	–
Loans from shareholders	452,010	498,810	349,210	336,321
Deferred tax liabilities	498,876	493,479	460,516	452,762
	<b>1,591,862</b>	<b>1,651,102</b>	<b>1,397,883</b>	<b>789,083</b>
<b>Net assets</b>	<b>2,301,109</b>	<b>2,286,919</b>	<b>2,205,464</b>	<b>2,202,825</b>
<b>EQUITY</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital	111,785	111,785	111,785	111,785
Reserves	1,820,006	1,811,687	1,745,371	1,743,427
	<b>1,931,791</b>	<b>1,923,472</b>	<b>1,857,156</b>	<b>1,855,212</b>
<b>Non-controlling interests</b>	<b>369,318</b>	<b>363,447</b>	<b>348,308</b>	<b>347,613</b>
<b>Total equity</b>	<b>2,301,109</b>	<b>2,286,919</b>	<b>2,205,464</b>	<b>2,202,825</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>Balance at 31 December 2010</b>										
as previously reported	111,785	771,842	6,044	291,562	1,818	115,382	584,159	1,882,592	344,745	2,227,337
Prior year adjustment	-	-	-	-	-	(3,510)	(23,870)	(27,380)	2,868	(24,512)
Balance at 1 January 2011, as restated	111,785	771,842	6,044	291,562	1,818	111,872	560,289	1,855,212	347,613	2,202,825
<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	-	-	-	-	-	-	(29,668)	(29,668)	(5,190)	(34,858)
<b>Other comprehensive income</b>										
Exchange realignment	-	-	-	-	-	31,612	-	31,612	5,885	37,497
Total comprehensive income for the period	-	-	-	-	-	31,612	(29,668)	1,944	695	2,639
<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>142,379</b>	<b>533,439</b>	<b>1,857,156</b>	<b>348,308</b>	<b>2,205,464</b>
<b>Balance at 31 December 2011</b>										
as previously reported	111,785	771,842	6,044	291,562	750	164,045	610,143	1,956,171	360,579	2,316,750
Prior years adjustment	-	-	-	-	-	24,060	(56,759)	(32,699)	2,868	(29,831)
Balance at 1 January 2012, as restated	111,785	771,842	6,044	291,562	750	188,105	553,384	1,923,472	363,447	2,286,919
<b>Transactions with owners</b>										
Recognition of equity settled share-based compensation	-	-	-	-	285	-	-	285	-	285
Transactions with owners	-	-	-	-	285	-	-	285	-	285
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	31,078	31,078	9,771	40,849
<b>Other comprehensive income</b>										
Exchange realignment	-	-	-	-	-	(23,044)	-	(23,044)	(3,900)	(26,944)
Total comprehensive income for the period	-	-	-	-	-	(23,044)	31,078	8,034	5,871	13,905
<b>At 30 June 2012</b>	<b>111,785</b>	<b>771,842</b>	<b>6,044</b>	<b>291,562</b>	<b>1,035</b>	<b>165,061</b>	<b>584,462</b>	<b>1,931,791</b>	<b>369,318</b>	<b>2,301,109</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Net cash generated from/(used in) operating activities	48,376	(629)
Net cash used in investing activities	(1,313)	(61,180)
Net cash (used in)/generated from financing activities	<u>(88,698)</u>	<u>68,923</u>
Net (decrease)/increase in cash and cash equivalents	(41,635)	7,114
Cash and cash equivalents, beginning of the period	59,062	100,769
Effect of foreign exchange rate changes	<u>(411)</u>	<u>1,453</u>
Cash and cash equivalents, end of the period	<u><u>17,016</u></u>	<u><u>109,336</u></u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<u><u>17,016</u></u>	<u><u>109,336</u></u>

Notes:

## 1. BASIS OF PRESENTATION

The unaudited interim financial statements have been reviewed by the Company's audit committee.

These unaudited interim financial statements should be read in conjunction with the 2011 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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

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 2011.

### **Prior year adjustments**

After the release of the announcement for the disposal of the entire interest in Splendor Sheen Limited ("Splendor") on 12 July 2012, the Group proceeded to prepare the circular for such transaction. During the course of the preparation of the accountants' report for Splendor and its subsidiaries for the circular purposes, the Company revisited the consistency of the foreign currency translation convention and the appropriateness of the foreign currency exchange rates adopted to translate the individual financial statements of the foreign operations originally presented in a currency different from the Group's presentation currency, i.e. HK\$. It was noted that certain exchange differences on translation and re-translation of the items in the financial statements of an overseas subsidiary as detailed in the following paragraphs, which should have been recognized in other comprehensive income and, hence, exchange reserve, were recognized in the income statement in 2010 and 2011 instead. As such, prior year adjustments were made to the prior year consolidated financial statements. The causes and effect of such adjustments are detailed below.

In 2010, the Group reclassified its property under development, which was recorded at historical cost, in the PRC held by a PRC subsidiary to investment property, which is measured at fair value, as it turned to hold the property for rental income and ceased to sell the same. To adopt a consistent foreign currency translation convention, the fair value gain arising from the re-measurement of the investment property at fair value and the corresponding deferred tax charge in 2010, both denominated in Renminbi ("RMB"), should have been translated to the Company's reporting currency at the average rate for the year in consistency with other income statement items. However, the said fair value gain and deferred tax as reported in the 2010 audited consolidated financial statements were translated at the exchange rate ruling at the end of the reporting period, i.e. 31 December 2010. As such, the differences between the respective RMB denominated amounts translated at the average exchange rate and at the exchange rate ruling at 31 December 2010, which should have been recognized in other comprehensive income, were recognized in the income statement. Similarly, the fair value gain on investment property for 2011 and the deferred tax thereon recognized in the income statement for that year was translated at the exchange rate ruling at 31 December 2011. Also, the exchange differences on re-translation of the fair value gain on investment property recognized in 2010 and the corresponding deferred tax liability, which should have been recognized in other comprehensive income and, hence, exchange reserve, were recognized in the income statement in 2011 instead.

In addition, the RMB denominated deferred tax liability brought forward was not re-translated at the exchange rate ruling at the year end date of both years and, hence, was understated. Nevertheless, the amounts so understated in both years were immaterial in the context of the consolidated financial statements of respective years. Further, the costs incurred by a holding company, being a wholly owned subsidiary of the Company holding 80% equity interests in the relevant PRC project company, out of the PRC for the construction of the abovementioned property and capitalized by the Group were treated as if these amounts were onshore expenses capitalized by that PRC project company in the calculation of the deferred tax as referred to in the above for both years. As such, the deferred tax charged was understated. The deferred tax charged so understated standing alone was immaterial.

**1. BASIS OF PRESENTATION (CONTINUED)**

**Prior year adjustments (continued)**

As concluded in the consultation with the Company's Audit Committee and the external auditors, prior year adjustments were made and the comparative figures were restated accordingly. Although the adjustments for 2010 were relatively immaterial in the context of the consolidated financial statements for that year, the Company elected to restate the 2010 consolidated financial statements to preserve the consistency of the foreign currency translation convention and basis of deferred tax computation adopted in the preparation of the financial statements in compliance with the applicable accounting standards. The effect of such adjustments to the amounts previously reported in respective years is summarized below:

**For the year ended 31 December 2011:**

	<b>As Restated HK\$'000</b>	<b>As Previously Reported HK\$'000</b>	<b>Increase/ (Decrease) HK\$'000</b>
<i>Consolidated income statement for the year ended 31 December 2011:</i>			
Increase in fair value of investment property	86,779	141,593	(54,814)
Deferred income tax expense	21,695	35,398	(13,703)
(Loss)/profit for the year	(8,067)	33,044	(41,111)
(Loss)/profit for the year attributable to equity holders of the Company	(9,721)	23,168	(32,889)
(Loss)/profit for the year attributable to equity owners from continuing operation	(9,721)	23,168	(32,889)
Profit for the year attributable to non-controlling interests	1,654	9,876	(8,222)
<i>Consolidated statement of comprehensive income for the year ended 31 December 2011:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries	92,079	56,287	35,792
Total comprehensive income for the year	84,012	89,331	(5,319)
Total comprehensive income attributable to equity holders of the Company	68,178	73,497	(5,319)
Total comprehensive income attributable to non-controlling interests	15,834	15,834	-
<i>Consolidated statement of financial position and consolidated statement of changes in equity as at 31 December 2011:</i>			
Deferred tax liabilities	493,479	463,648	29,831
Retained earnings	553,384	610,143	(56,759)
Exchange reserve	188,105	164,045	24,060
Non-controlling Interests	363,447	360,579	2,868
Total equity	2,286,919	2,316,750	(29,831)
<i>(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company:</i>			
<i>Basic</i>			
- (Loss)/profit from continuing and discounted operations	<b>HK(0.09) cent</b>	<b>HK0.21 cent</b>	
- (Loss)/profit from continuing operations	<b>HK(0.09) cent</b>	<b>HK0.21 cent</b>	



## 1. BASIS OF PRESENTATION (CONTINUED)

### Prior year adjustments (continued)

For the year ended 31 December 2010:

	<b>As Restated HK\$'000</b>	<b>As Previously Reported HK\$'000</b>	<b>Increase/ (Decrease) HK\$'000</b>
<i>Consolidated income statement for the year ended 31 December 2010:</i>			
Increase in fair value of investment property	1,242,076	1,269,118	(27,042)
Deferred income tax expense	315,297	317,279	(1,982)
Profit for the year	873,925	898,985	(25,060)
Profit for the year attributable to equity holders of the Company	689,734	713,604	(23,870)
Profit for the year attributable to equity owners from continuing operations	684,397	708,267	(23,870)
Profit for the year attributable to non-controlling interests	184,191	185,381	(1,190)
<i>Consolidated statement of comprehensive income for the year ended 31 December 2010:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries	55,150	54,602	548
Total comprehensive income for the year	929,075	953,587	(24,512)
Total comprehensive income attributable to equity holders of the Company	733,440	760,820	(27,380)
Total comprehensive income attributable to non-controlling interests	195,635	192,767	2,868
<i>Consolidated statement of financial position and consolidated statement of changes in equity as at 31 December 2010:</i>			
Deferred tax liabilities	452,762	428,250	24,512
Retained earnings	560,289	584,159	(23,870)
Exchange reserve	111,872	115,382	(3,510)
Non-controlling Interests	347,613	344,745	2,868
Total equity	2,202,825	2,227,337	(24,512)
<i>Earnings per share for profit attributable to the equity holders of the Company:</i>			
<i>Basic</i>			
– Profit from continuing and discounted operations	HK6.17 cents	HK6.38 cents	
– Profit from continuing operations	HK6.12 cents	HK6.33 cents	
<i>Diluted</i>			
– Profit from continuing and discounted operations	HK6.17 cents	HK6.38 cents	
– Profit from continuing operations	HK6.12 cents	HK6.33 cents	

## 1. BASIS OF PRESENTATION (CONTINUED)

### Prior year adjustments (continued)

In addition to the above-mentioned adjustments brought forward from 2010, certain RMB denominated fair value change in investment property and the deferred tax liability brought forward balances had not been re-translated at the exchange rate ruling at 30 June 2011. As such, the balances of investment properties, deferred tax liability and exchange reserve as at 30 June 2011 previously reported were understated and therefore restated as follows:

#### **For the six months ended 30 June 2011:**

	<b>As Restated</b>	<b>As Previously</b>	<b>Increase/</b>
	<b>HK\$'000</b>	<b>Reported</b>	<b>(Decrease)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Consolidated statement of comprehensive income for the six months ended 30 June 2011:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries	<b>37,497</b>	<b>23,189</b>	<b>14,308</b>
Total comprehensive loss for the year	<b>*2,639</b>	<b>(8,545)</b>	<b>11,184</b>
Total comprehensive profit/(loss) attributable to equity holders of the Company	<b>*1,944</b>	<b>(5,931)</b>	<b>7,875</b>
Total comprehensive profit/(loss) attributable to non-controlling interests	<b>695</b>	<b>(2,614)</b>	<b>3,309</b>
<i>Consolidated statement of financial position and consolidated statement of changes in equity as at 30 June 2011:</i>			
Investment properties	<b>2,742,727</b>	<b>2,720,665</b>	<b>22,062</b>
Deferred tax liabilities	<b>460,516</b>	<b>428,250</b>	<b>32,266</b>
Retained earnings	<b>*533,439</b>	<b>560,433</b>	<b>(26,994)</b>
Exchange reserve	<b>142,379</b>	<b>134,890</b>	<b>7,489</b>
Non-controlling Interests	<b>348,308</b>	<b>342,131</b>	<b>6,177</b>
Total equity	<b>2,205,464</b>	<b>2,218,792</b>	<b>(13,328)</b>

\* inclusive of the adjustment made for the six months ended 30 June 2011 as tabulated and further explained below:

## 1. BASIS OF PRESENTATION (CONTINUED)

### Prior year adjustments (continued)

Apart from the adjustments as referred to in the above, the consolidated financial statements for the six months ended 30 June 2011 have also been restated to conform with audited consolidated financial statements (as restated) for the year ended 31 December 2011. The effect of such adjustments is summarized below:

	<b>As Restated</b>	<b>As Previously</b>	<b>Increase/</b>
	<b>HK\$'000</b>	<b>Reported</b>	<b>(Decrease)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Consolidated income statement for the year ended 30 June 2011:</i>			
Gain on disposal of subsidiaries	-	3,124	(3,124)
Loss for the year	34,858	31,734	3,124
Loss for the year attributable to equity holders of the Company	29,668	26,544	3,124
Other payables, prepayments and other receivables	51,956	48,832	3,124

Items in the consolidated financial statements for the years ended 31 December 2010 and 2011, and the six months ended 30 June 2011 previously presented other than those set out in the above remain unchanged.

## 2. REVENUE

Revenue comprised entrusted management fee accrued from Green Orient Investment Limited, an indirect wholly-owned subsidiary of South China (China) Limited ("SCC").

On 2 November 2011, Crystal Hub Limited, a direct wholly-owned subsidiary of the Company, entered into an agreement of entrusted management (the "Agreement") as the Grantor with Green Orient Investments Limited, as the Grantee for the exclusive right to manage the investment properties of the Group, at the basic fee of RMB80 million per annum (plus performance fee) for a term of one year which was renewable annually at the option of the Grantee until 31 December 2026. Please refer to the Company's announcement made on 2 November 2011 for further details. The transaction was approved by the independent shareholders of the Company at the extraordinary general meeting held on 6 January 2012.

Referring to the note 11 for the post balance sheet event and as detailed, the sale and purchase agreement in respect of the entire issued share capital of Splendor and the deed to terminate the Agreement by the relevant subsidiaries of each of SCC and the Company were signed on 4 July 2012. The completion of the above transactions is conditional upon the fulfillment of certain conditions as specified.

### 3. SEGMENT INFORMATION

#### (a) Business segments

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

	<b>Property investment and development</b>			
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue	<u>25,405</u>	1,613	<u>47,288</u>	3,124
<b>Group revenue</b>	<b><u>25,405</u></b>	<b><u>1,613</u></b>	<b><u>47,288</u></b>	<b><u>3,124</u></b>
Reportable segment profit/(loss)	<b>14,387</b>	(5,772)	<b>32,353</b>	(16,629)
Other corporate income/(expenses)	<b>2,609</b>	(3,024)	<b>(287)</b>	(3,075)
Finance costs	<b>(11,381)</b>	(5,654)	<b>(23,382)</b>	(15,154)
Increase/(decrease) in fair value of investment properties	<u>42,886</u>	-	<u>42,886</u>	-
Profit/(loss) before income tax	<b><u>48,501</u></b>	<b><u>(14,450)</u></b>	<b><u>51,570</u></b>	<b><u>(34,858)</u></b>

#### (b) Geographical segments

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

	<b>Revenue from external customers</b>			
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong (domicile)	-	-	-	-
The PRC	<u>25,405</u>	1,613	<u>47,288</u>	3,124
	<b><u>25,405</u></b>	<b><u>1,613</u></b>	<b><u>47,288</u></b>	<b><u>3,124</u></b>

#### 4. OPERATING PROFIT/(LOSS)

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit/(loss) is arrived at after charging/(crediting):				
Exchange (gain)/loss, net	(2,303)	3,999	347	4,164
Depreciation	169	283	317	590
Employee benefit expense (including directors' emoluments)	5,351	5,378	9,199	11,711
Less: Employee benefit expense capitalised in properties under development	(4,348)	(2,951)	(7,643)	(6,842)
	<u>1,003</u>	<u>2,427</u>	<u>1,556</u>	<u>4,869</u>
Operating lease rentals	<u>145</u>	<u>264</u>	<u>305</u>	<u>569</u>

#### 5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest charged on bank borrowings repayable within five years	11,381	4,642	23,226	13,960
Interest charged on loans from shareholders	7,927	4,458	11,154	8,214
Interest charged on loan from a related company	973	972	1,945	1,154
Total interest expenses	20,281	10,072	36,325	23,328
Less: interest capitalised on properties under development	(8,900)	(4,418)	(12,943)	(8,174)
	<u>11,381</u>	<u>5,654</u>	<u>23,382</u>	<u>15,154</u>

#### 6. INCOME TAX EXPENSE/(REFUND)

No provision for Hong Kong profits tax was provided for 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 2012 (three months and six months ended 30 June 2011: Nil).

Taxes on income arising from subsidiaries in the Peoples Republic of China (the "PRC") were calculated based on a statutory rate of 25% as determined in accordance with the relevant PRC income tax rules and regulations for the three months and six months ended 30 June 2012 and 2011.

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Deferred income tax expense/(refund) – fair value gain/(loss) on valuation of investment properties in PRC	<u>10,721</u>	<u>-</u>	<u>10,721</u>	<u>-</u>

## 7. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

## 8. PROFIT/(LOSS) PER SHARE

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

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Unaudited profit/(loss) attributable to owners of the Company, used in the basic loss/profit per share calculation	<u><b>25,184</b></u>	<u>(12,604)</u>	<u><b>31,078</b></u>	<u>(29,668)</u>
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares – for the purpose of basic profit/loss per share calculation	<u><b>11,178,498,344</b></u>	<u>11,175,165,010</u>	<u><b>11,178,498,344</b></u>	<u>11,175,165,010</u>

## 9. TRADE RECEIVABLES

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

The following is an aging analysis of trade receivables:

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
0 – 30 days	<u>-</u>	<u>95</u>

## 10. TRADE PAYABLES

The following is an aging analysis of trade payables:

	<b>As at 30 June 2012 HK\$'000 (Unaudited)</b>	As at 31 December 2011 HK\$'000 (Audited)
0 – 30 days	–	56,002
31 – 60 days	–	216
61 – 90 days	–	–
91 – 180 days	<b>371</b>	1,703
Over 180 days	<b>60,944</b>	21,480
	<hr/> <b>61,315</b> <hr/>	<hr/> 79,401 <hr/>

## 11. POST BALANCE SHEET EVENT

Pursuant to the sale and purchase agreement dated 4 July 2012 entered into between Crystal Hub Limited, a subsidiary of the Company, and Even Dragon Limited, a subsidiary of SCC, Crystal Hub Limited had agreed to sell its entire equity interests in Splendor to Even Dragon Limited for a consideration of approximately HK\$1,596 million subject to conditions in accordance with the terms of the agreement. Please refer to the Company's announcement made on 12 July 2012 for further details.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a profit attributable to the Company for the six months ended 30 June 2012 amounting to HK\$31.08 million (six months ended 30 June 2011: loss of HK\$29.67 million), mainly attributable to the commencement of the entrusted management agreement with accrued related management fee being received by the Group, together with the reduction of the operating expenses incurred on *Fortuna Plaza*.

## FINANCIAL REVIEW

The Group's revenue comprised mainly the entrusted management fee accrued for the six months ended 30 June 2012.

During the period under review, the administrative and other operating expenses were HK\$14.36 million (six months ended 30 June 2011: HK\$18.21 million). The reduction was due to lesser expenses being incurred on *Fortuna Plaza*.

Finance costs totaling HK\$23.38 million represented interest expenses in relation to bank borrowings, loans from shareholders and loan from a related company (six months ended 30 June 2011: HK\$15.15 million).

## **BUSINESS REVIEW**

### **Property Investment and Development**

Shenyang's economy remained stable in the second quarter of 2012. Following the encouraging policies such as lower mortgage interest rate, higher upper limit for personal loans and a lower required down payment for purchasing first residential property, residential transactions are expected to increase while prices are expected to remain stable.

#### *Shenyang property projects*

With the effect of the entrusted management agreement for **Fortuna Plaza**, the related income of HK\$47.29 million was accrued for the six months ended 30 June 2012. The profit before finance cost and income tax of this segment was HK\$32.35 million for the six months ended 30 June 2012. As at 30 June 2012, the market value was approximately RMB2,450 million, equivalent to HK\$2,986 million, based on a valuation report conducted by an independent valuer.

With regard to the Dadong District (大東區) property development project with a site area of 44,916 square meters, the development of the land is planned to be divided into two phases and the first phase on the southern lot with site area of 14,466 square meters, consisting of commercial retail podium including entertainment and dining, high end residential towers and office buildings with an estimated gross floor area of 180,000 square meters. The demolition and re-settlement for the project has been completed. Architects have been appointed and the master layout plan has been prepared for submission to the local authorities for approval in due course. We plan to commence the construction work of the first phase of the above development in late 2012 or the first quarter of 2013 depending on the weather condition in Shenyang.

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\$1,434 million and approximately HK\$286.85 million has been 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. We are negotiating with the local government for the timetable of re-settlement and construction.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the six months ended 30 June 2012, 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 2012, the net current assets of the Group were HK\$546.51 million (31 December 2011: net current assets of HK\$601.39 million).

As at 30 June 2012, the gearing ratio of the Group was 48.3% (31 December 2011: 51.2%). The gearing ratio was computed on comparing the Group's total bank borrowings and loans from shareholders and a related company of HK\$1,111.27 million to the Group's equity of HK\$2,301.11 million. The increase was 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 2012.

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

During the six months ended 30 June 2012, 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 2012, the Group pledged certain investment properties of a subsidiary to secure banking facilities and did not have any contingent liabilities.

## **PROSPECTS**

Referring to the announcement in relation to the sale of the entire issued share capital of Splendor Sheen Limited (“Splendor”) on 12 July 2012, this transaction enables the Company to allocate more resources, both financial and management, to other property development projects on hand such as Dadong (大東區) in Shenyang. The disposal of Splendor and its subsidiaries (subject to approval of the independent shareholders), will reduce the related commitments of the Company. This significantly improves the Company’s gearing ratio and hence, its ability to raise funds for new projects.

The proceeds from the transaction will also provide the Company with immediate financial resources to kick-start the property development projects currently in the pipeline with a view to building a track record of being a reputable property developer in the region. For Dadong District project, we are planning to move forward with the build and sell model for the southern lot before embarking on the development of the northern lot.

**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 2012, 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*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Total number of ordinary shares</b>	<b>Approximate percentage of shareholding</b>
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 <i>(Note a)</i>		
Ng Yuk Yeung, Paul ("Paul Ng")	Beneficial owner		2,602,667	0.02%
Ng Yuk Fung, Peter ("Peter Ng")	Beneficial owner		481,666,667	4.31%

*B. Long position in the underlying shares*

**Share options**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of underlying shares</b>	<b>Approximate percentage of shareholding</b>
Paul Ng	Beneficial owner	Nil <i>(Note b)</i>	N/A
Peter Ng	Beneficial owner	Nil <i>(Note b)</i>	N/A

*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 is 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. 1,666,666 share options of each of Mr. Peter Ng and Mr. Paul Ng lapsed on 14 March 2012 due to non-exercise. The number of outstanding options granted to each of Mr. Peter Ng and Mr. Paul Ng at 1 January 2012 and 30 June 2012 are 1,666,666 and Nil share options respectively.

Save as disclosed above, as at 30 June 2012, 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 2012, 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>
Earntrade	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	15.46%
Bannock	Beneficial owner	1,088,784,847 (Note a)	9.74%
Ng Lai King, Pamela ("Mrs. Ng")	Beneficial owner and interest of spouse	7,495,060,667 (Note b)	66.47%

#### *Notes:*

- (a) Bannock is a wholly-owned subsidiary of Earntrade. The 2,238,789,644 shares in the Company held by Earntrade 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 2012, 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 "Share Award 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 Share Award Scheme, a sum up to and not exceeding HK\$20 million will be used within one year from the date of adoption of the Share Award 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 Share Award Scheme shall be valid and effective for a term of 15 years commencing on the date of adoption.

As at 30 June 2012, 8,968,000 shares of the Company and 2,328,000 shares of SCC were granted to the employees (without Directors) under the Share Award Scheme, out of which, 3,712,000 shares of the Company and 1,112,000 shares of SCC had lapsed. The outstanding Shares granted as at 30 June 2012 were 5,256,000 shares of the Company and 1,216,000 shares of SCC with various vesting dates from 31 December 2012 to 31 December 2014.

The share based payment expenses for the Company's shares and other shares recognised in profit or loss according to the vesting periods are approximately HK\$121,000 and HK\$164,000 respectively for the six month ended 30 June 2012 (For the six months ended 30 June 2011: HK\$18,000 and HK\$10,000 for Company's shares and other shares respectively).

## **SHARE OPTION SCHEME**

At the annual general meeting of the Company held on 8 May 2012, the shareholders approved the adoption of a new share option scheme (the "New Scheme") and termination of the then existing share option scheme, which was adopted on 24 June 2002, (the "Old Scheme") options granted under the Old Scheme remain effective. As at the date of this report, the New Scheme fully complies with the requirements of Chapter 23 of the GEM Listing Rules.

No option was granted under the New Scheme in the period under review. The particulars of the movements in the options held by each of the Directors, the employees of the Company in aggregate and other participants granted under the Old Scheme of the Company during the six months ended 30 June 2012 were as follows:

Name and category of participant	Date of grant of share options	Number of share options					Outstanding as at 30.6.2012	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 1.1.2012	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	1,666,666	-	-	1,666,666	-	0	14.03.2008 – 13.03.2012	0.2166	0.2000	0.2800
Ng Yuk Fung, Peter	14.03.2007	1,666,666	-	-	1,666,666	-	0	14.03.2008 – 13.03.2012	0.2166	0.2000	0.2900
Sub-total		<u>3,333,332</u>	<u>-</u>	<u>-</u>	<u>3,333,332</u>	<u>-</u>	<u>0</u>				
<b>Others (In aggregate)</b>											
	14.03.2007	333,334	-	-	333,334	-	0	14.03.2008 – 13.03.2012	0.2166	-	-
	02.04.2007	1,000,000	-	-	1,000,000	-	0	02.04.2008 – 01.04.2012	0.3150	-	-
Sub-total		<u>1,333,334</u>	<u>-</u>	<u>-</u>	<u>1,333,334</u>	<u>-</u>	<u>0</u>				
Total		<u>1,666,668</u>	<u>-</u>	<u>-</u>	<u>1,666,668</u>	<u>-</u>	<u>0</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.

For the three and six months ended 30 June 2012, no employee compensation expense had been recognised in income statement (For the six months ended 30 June 2011: Nil).

## **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, has a 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 during the period.

Save as disclosed above, as at 30 June 2012, none of the Directors or any of their respective associates had any interest in any business which had caused or would 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 had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

## **CORPORATE GOVERNANCE CODE**

The Company had complied with all the code provisions set out in the Code of Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2012.

## **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 2012.

## **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), Ms. Pong Oi Lan, Scarlett, J.P. and Mr. So, George Siu Ming and a Non-executive Director, namely Dr. Lo Wing Yan, William, J.P..

The Group's unaudited consolidated results for the six months ended 30 June 2012 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, 7 August 2012

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