



## **SOUTH CHINA LAND LIMITED**

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

**(Stock Code: 8155)**

### **INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2014**

#### **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 2014 together with the relevant comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	2	-	-	-	-
Other operating income		28	65	278	180
Gain on disposal of subsidiaries		-	-	-	399,968
Loss on disposal of available-for-sale financial assets		-	(8,125)	-	(28,628)
Fair value (loss)/gain on financial assets at fair value through profit or loss		(45)	(124)	(322)	125
Fair value gain/(loss) on redemption option embedded in redeemable convertible preference shares of a related company		1,668	314	(11,475)	(2,871)
Selling and distribution costs		-	-	-	(5)
Administrative and other operating expenses		(7,489)	(10,279)	(11,735)	(21,138)
Operating (loss)/profit	4	(5,838)	(18,149)	(23,254)	347,631
Finance costs	5	(84)	(83)	(165)	(1,681)
(Loss)/profit before income tax		(5,922)	(18,232)	(23,419)	345,950
Income tax expense	6	-	-	-	-
<b>(Loss)/profit for the period</b>		<b>(5,922)</b>	<b>(18,232)</b>	<b>(23,419)</b>	<b>345,950</b>
<b>Attributable to:</b>					
Equity holders of the Company		(5,922)	(18,232)	(23,419)	346,287
Non-controlling interests		-	-	-	(337)
		<b>(5,922)</b>	<b>(18,232)</b>	<b>(23,419)</b>	<b>345,950</b>
<b>(Loss)/earnings per share attributable to the equity holders of the Company for the period</b>	8				
Basic and diluted		<b>HK(0.1) cent</b>	HK(0.2) cent	<b>HK(0.2) cent</b>	HK3.1 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/profit for the period</b>	<b>(5,922)</b>	(18,232)	<b>(23,419)</b>	345,950
<b>Other comprehensive (loss)/income, that may be reclassified subsequently to profit or loss</b>				
Release of exchange reserve upon disposal of subsidiaries	-	-	-	(139,155)
Release of available-for-sale financial assets revaluation reserve upon disposal of available-for-sale financial assets	-	(3,612)	-	(7,932)
Fair value loss on available-for-sale financial assets	<b>(8,070)</b>	(41,868)	<b>(51,360)</b>	(52,975)
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(2,592)</b>	14,801	<b>(34,099)</b>	31,983
	<u>(16,584)</u>	<u>(48,911)</u>	<u>(108,878)</u>	<u>177,871</u>
<b>Total comprehensive (loss)/income for the period</b>	<b>(16,584)</b>	(48,911)	<b>(108,878)</b>	177,871
<b>Total comprehensive (loss)/income attributable to:</b>				
Equity holders of the Company	<b>(16,584)</b>	(48,911)	<b>(108,878)</b>	178,206
Non-controlling interests	-	-	-	(335)
	<u>(16,584)</u>	<u>(48,911)</u>	<u>(108,878)</u>	<u>177,871</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>As at 30 June 2014</b>	As at 31 December 2013
	<i>Notes</i>	<b>HK\$'000 (Unaudited)</b>	<i>HK\$'000 (Audited)</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,697	3,271
Goodwill		355,326	355,326
Available-for-sale financial assets		1,327,914	1,036,694
		<u>1,686,937</u>	<u>1,395,291</u>
<b>Current assets</b>			
Properties under development		882,501	765,751
Financial assets at fair value through profit or loss		2,589	2,988
Deposits paid, prepayments and other receivables		736,050	707,964
Tax recoverable		352	361
Cash and bank balances		156,999	16,355
		<u>1,778,491</u>	<u>1,493,419</u>
<b>Current liabilities</b>			
Trade payables	9	8,573	19,595
Other payables, accrued expenses and receipts in advance	10	109,426	114,689
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company		152,227	97,866
Loan from a related company		78,000	78,000
Loan payable	11	620,966	–
Amount due to a related company		15,546	–
		<u>984,738</u>	<u>310,150</u>
<b>Net current assets</b>		<u>793,753</u>	<u>1,183,269</u>
<b>Total assets less current liabilities</b>		<u>2,480,690</u>	<u>2,578,560</u>
<b>Non-current liabilities</b>			
Loans from shareholders		455,290	450,260
<b>Net assets</b>		<u>2,025,400</u>	<u>2,128,300</u>
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital		111,785	111,785
Reserves		1,913,615	2,016,515
<b>Total equity</b>		<u>2,025,400</u>	<u>2,128,300</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital HK\$'000	Share premium HK\$'000	Treasury shares HK\$'000	Capital reserve HK\$'000	Capital contribution reserve HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Employee compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 January 2014 (audited)</b>	111,785	771,842	(134)	6,044	291,562	4,445	3,566	100,576	838,614	2,128,300
<b>Transactions with owners</b>										
Purchase of shares for share award scheme	-	-	(129)	-	-	-	-	-	-	(129)
Vesting of share awards under share award scheme	-	-	247	-	-	-	(146)	-	(101)	-
Forfeiture of share awards	-	-	-	-	-	-	(162)	-	162	-
Recognition of equity settled share-based compensation	-	-	-	-	-	-	6,107	-	-	6,107
Transactions with owners	-	-	118	-	-	-	5,799	-	61	5,978
<b>Comprehensive loss</b>										
Loss for the period	-	-	-	-	-	-	-	-	(23,419)	(23,419)
<b>Other comprehensive loss</b>										
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(51,360)	-	-	-	(51,360)
Exchange realignment	-	-	-	-	-	-	-	(34,099)	-	(34,099)
Total comprehensive loss for the period	-	-	-	-	-	(51,360)	-	(34,099)	(23,419)	(108,878)
<b>At 30 June 2014 (unaudited)</b>	<b>111,785</b>	<b>771,842</b>	<b>(16)</b>	<b>6,044</b>	<b>291,562</b>	<b>(46,915)</b>	<b>9,365</b>	<b>66,477</b>	<b>815,256</b>	<b>2,025,400</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2013

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve	Capital contribution reserve	Available-for-sale financial assets revaluation reserve	Employee compensation reserve	Exchange reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2013 (audited)</b>	<b>111,785</b>	<b>771,842</b>	<b>(846)</b>	<b>6,044</b>	<b>291,562</b>	<b>-</b>	<b>206</b>	<b>190,775</b>	<b>556,132</b>	<b>1,927,500</b>	<b>367,284</b>	<b>2,294,784</b>
<b>Transactions with owners</b>												
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(366,949)	(366,949)
Purchase of shares for share award scheme	-	-	(7)	-	-	-	-	-	-	(7)	-	(7)
Vesting of share awards under share award scheme	-	-	90	-	-	-	(97)	-	7	-	-	-
Recognition of equity settled share-based compensation	-	-	-	-	-	-	308	-	-	308	-	308
Transactions with owners	-	-	83	-	-	-	211	-	7	301	(366,949)	(366,648)
<b>Comprehensive income/(loss)</b>												
Profit/(loss) for the period	-	-	-	-	-	-	-	-	346,287	346,287	(337)	345,950
<b>Other comprehensive (loss)/income</b>												
Release of exchange reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	(139,155)	-	(139,155)	-	(139,155)
Release of reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	(7,932)	-	-	-	(7,932)	-	(7,932)
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(52,975)	-	-	-	(52,975)	-	(52,975)
Exchange realignment	-	-	-	-	-	-	-	31,981	-	31,981	2	31,983
Total comprehensive (loss)/income for the period	-	-	-	-	-	(60,907)	-	(107,174)	346,287	178,206	(335)	177,871
<b>At 30 June 2013 (unaudited)</b>	<b>111,785</b>	<b>771,842</b>	<b>(763)</b>	<b>6,044</b>	<b>291,562</b>	<b>(60,907)</b>	<b>417</b>	<b>83,601</b>	<b>902,426</b>	<b>2,106,007</b>	<b>-</b>	<b>2,106,007</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash used in operating activities	<b>(153,296)</b>	(133,496)
Net cash (used in)/generated from investing activities	<b>(1,292)</b>	331,078
Net cash generated from/(used in) financing activities	<b>295,146</b>	(151,524)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>140,558</b>	46,058
Cash and cash equivalents, beginning of the period	<b>16,355</b>	379,382
Effect of foreign exchange rate changes	<b>86</b>	9,453
	<hr/>	<hr/>
Cash and cash equivalents, end of the period	<b>156,999</b>	434,893
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the cash and cash equivalents		
Cash and bank balances	<b>156,999</b>	434,893
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

## **1. BASIS OF PREPARATION**

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

The unaudited interim financial statements have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”), the accounting principles generally accepted in Hong Kong and the relevant Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

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 2013 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 2014, as disclosed in the annual financial statements for the year ended 31 December 2013. The adoption of these new and revised Hong Kong Financial Reporting Standards does not have significant impact on the Group’s results of operations and financial position.

These unaudited interim financial statements should be read in conjunction with the annual report for the year ended 31 December 2013.

## **2. REVENUE**

There was no revenue recorded for the three months and six months ended 30 June 2014 and 30 June 2013. Since the Group’s property development projects are still in development stage, the Group will resume and recognise revenue upon the projects’ completion and sale.

## **3. SEGMENT INFORMATION**

The Group has identified its operating segment based on the internal financial information regularly reported to the Group’s management for their decisions about allocation of resources and review of performance. The only business segment in the internal reporting to the Group’s management is the Group’s property investment and development business.

The revenue and core assets of the Group are principally attributable to a single geographical region, which is the People’s Republic of China (the “PRC”), and the principal revenue generating assets of the Group are located in the PRC. Therefore, based on the location at which the services or goods were delivered, all the revenue was derived from the PRC.

As such, no separate analysis of segment information by business or geographical segment was disclosed, or is required to be disclosed.



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

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Operating (loss)/profit is arrived at after charging/(crediting):				
Depreciation	237	247	461	458
Less: Depreciation capitalised in properties under development	(152)	(95)	(308)	(160)
	<u>85</u>	<u>152</u>	<u>153</u>	<u>298</u>
Employee benefit expense (including directors' emoluments)	17,069	12,961	31,050	24,419
Less: Employee benefit expense capitalised in properties under development	(13,716)	(12,697)	(25,464)	(21,297)
	<u>3,353</u>	<u>264</u>	<u>5,586</u>	<u>3,122</u>
Exchange (gain)/loss, net	<u>(309)</u>	<u>6,971</u>	<u>169</u>	<u>11,220</u>

#### 5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest charged on bank borrowings wholly repayable within five years	-	-	-	1,517
Interest charged on loan from a related company	974	973	1,925	1,934
Interest charged on loans from shareholders	5,215	5,547	10,680	12,512
Interest charged on loan payable	30,055	-	30,055	-
Total interest	<u>36,244</u>	<u>6,520</u>	<u>42,660</u>	<u>15,963</u>
Less: Interest capitalised in properties under development	(36,160)	(6,437)	(42,495)	(14,282)
	<u>84</u>	<u>83</u>	<u>165</u>	<u>1,681</u>

#### 6. INCOME TAX EXPENSE

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 2014 and 30 June 2013.

No provision for the PRC enterprise income taxes has been made during the periods as the subsidiaries operated in the PRC had no assessable profits for the three months and six months ended 30 June 2014 and 30 June 2013.

## 7. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 8. (LOSS)/EARNINGS PER SHARE

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

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/earnings</b>				
Unaudited (loss)/profit attributable to the equity holders of the Company used in the basic (loss)/earnings per share calculation	<u><b>(5,922)</b></u>	<u>(18,232)</u>	<u><b>(23,419)</b></u>	<u>346,287</u>
	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary share in issue during the period	<b>11,178,498,344</b>	11,178,498,344	<b>11,178,498,344</b>	11,178,498,344
Less: Weighted average number of shares held for share award scheme	<u><b>(904,000)</b></u>	<u>(7,191,736)</u>	<u><b>(484,464)</b></u>	<u>(7,165,260)</u>
Weighted average number of ordinary shares used in the basic (loss)/earnings per share calculation	<u><b>11,177,594,344</b></u>	<u>11,171,306,608</u>	<u><b>11,178,013,880</b></u>	<u>11,171,333,084</u>

There is no material dilutive potential ordinary share for the three months and six months ended 30 June 2014 and 30 June 2013.

The Company granted 26,576,000 share options during the six months ended 30 June 2014 and no share option granted during the six months ended 30 June 2013. There was no outstanding share option during the six months ended 30 June 2013. The Company's share options have no dilution effect for the six months ended 30 June 2014 because the exercise prices of the Company's share options were higher than the average market prices of the shares for the period.

## 9. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	<b>As at 30 June 2014 HK\$'000 (Unaudited)</b>	As at 31 December 2013 HK\$'000 (Audited)
Within 30 days	<b>6,785</b>	17,653
31–60 days	<b>5</b>	–
61–90 days	<b>–</b>	–
91–180 days	<b>36</b>	–
Over 180 days	<b>1,747</b>	1,942
	<b><u>8,573</u></b>	<b><u>19,595</u></b>

## 10. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

As at 30 June 2014, other payables, accrued expenses and receipts in advance included accrued interest expenses on the loans from shareholders and the loan from a related company of HK\$79,837,000 (As at 31 December 2013: HK\$73,860,000) and HK\$1,122,000 (As at 31 December 2013: HK\$10,899,000), respectively, in respect of the loans made available to the Group in prior years.

The loans from shareholders are unsecured and carried interest at the prime lending rate as quoted by The Hong Kong and Shanghai Bank Corporation Limited from time to time, except for the loans from shareholders amounted to HK\$7,000,000 in aggregate which is interest free. The loan from a related company is unsecured, interest-bearing at the prime lending rate as quoted by The Hong Kong and Shanghai Bank Corporation Limited from time to time. Details about the terms of the loans from shareholders and the loan from a related company have been set out in the audited consolidated financial statements of the Company for the year ended 31 December 2013.

## 11. LOAN PAYABLE

In February 2014, Perennial Success Limited (the “Purchaser”), an indirect wholly-owned subsidiary of South China (China) Limited (“SCC”), entered into the sales and purchase agreement (the “Agreement”) with Crystal Hub Limited (the “Vendor”), a direct wholly-owned subsidiary of the Company, in respect of the sale of 40% of the issued share capital (the “Sale Shares”) of Elite Empire Investments Limited (“Elite Empire”) at a consideration of HK\$600 million, which was satisfied by (i) the first payment of a refundable deposit in the sum of HK\$10 million in cash by the Purchaser to the Vendor within 1 month from the date of the Agreement; (ii) the second payment in the sum of HK\$290 million in cash by the Purchaser to the Vendor on or before completion; and (iii) as procured by the Purchaser, the issue of the convertible preference shares by SCC to the Vendor or its nominee(s) for the remaining balance, i.e. HK\$300 million, on completion.

Under the Agreement, the Purchaser granted to the Vendor a call option (the “Call Option”) by entering into the options agreement (the “Options Agreement”) to give the Vendor the right to require the Purchaser to sell to the Vendor all (but not part) of the Sale Shares, subject to the terms and conditions of the Options Agreement, at the exercise price (i.e. HK\$700 million) during the option exercisable period (i.e. the period of 15 months commencing on the 1st day of the 10th months from the completion date and expiring on the last day of the 24th month from the completion date, both days inclusive). The Vendor also granted to the Purchaser a put option (the “Put Option”) to give the Purchaser the right to require the Vendor to buyback all (but not part) of the Sale Shares from the Purchaser subject to the terms and conditions of the Options Agreement.

## **11. LOAN PAYABLE (Continued)**

The abovementioned transactions were completed on 11 April 2014. As detailed in the circular of the Company dated 19 March 2014, the Group has recognised (i) the sale of the Sale Shares and (ii) the grant of the Call Option by the Purchaser to the Vendor and the grant of the Put Option by the Vendor to the Purchaser at same exercise price, which is a fixed sum, and with the same option exercisable period collectively as a debt instrument. The Group recognised the said debt instrument as a financial liability in view of, among others, the following:

- Under the Agreement, the Purchaser is only entitled to appoint directors to the boards of Elite Empire and its subsidiaries (“Elite Empire Group”) after (i) the occurrence of any intervening event as referred to in the section headed “Management of Elite Empire Group after Completion” in the circular issued by the Company on 19 March 2014 or (ii) the lapse of the Put option and the Call option. Furthermore, the Purchaser has agreed not to interfere with the business and the operating and financing policy decisions of Elite Empire Group at both the board and shareholder levels before the expiry of the option exercisable period provided that there is no breach of the Agreement and Elite Empire Group is not engaged in any business;
- The Put Option and the Call Option with the fixed exercise price render the Purchaser’s present access to the ownership interest in the Sale Shares by way of sharing the residual interest in the assets of the Elite Empire Group after deducting all of the liabilities thereof limited and, therefore, the Vendor retains substantially all the risks and rewards of ownership. The combination of the Put Option and the Call Option with the same option exercisable period and the same exercise price resembles a forward contract whereby the Purchaser is obliged to deliver the Sale Shares to the Vendor and the Vendor is obliged to settle the exercise price on the maturity date of such forward contract.

Accordingly, the Group has recognised the financial liability in respect of the abovementioned debt instrument at fair value, which amounted to approximately HK\$591 million. The financial liability is measured at amortised cost using the effective interest rate method. The finance cost arising from the effective interest rate amortisation from the day immediately after the completion to the date immediately before the commencement date of the option exercisable period, is recognised in the consolidated income statement of the Group over the said period with a corresponding increase in the carrying value of the loan payable, which will stand at the balance of HK\$700 million immediately before the commencement of the option exercisable period. The finance cost so arisen during the period from the completion date to 30 June 2014 has been capitalised as part of the cost of properties under development.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group recorded a loss attributable to the equity holders of the Company for the six months ended 30 June 2014 of HK\$23.4 million (six months ended 30 June 2013: a profit of HK\$346.3 million). The profit attributable to the equity holders of the Company for the six months ended 30 June 2013 primarily represented the gain on disposal of Splendor Sheen Limited and its subsidiaries which was completed on 16 January 2013 as published in the announcement of the Company issued on 17 January 2013.

## **FINANCIAL REVIEW**

No revenue was reported for the six months ended 30 June 2014 and 30 June 2013. Since the Group’s property development projects are still in development stage, the Group will resume and recognise revenue upon the projects’ completion and sale.

Administrative and other operating expenses amounted to HK\$11.7 million (six months ended 30 June 2013: HK\$21.1 million) for the period under review. The decrease in administrative and other operating expenses was mainly attributable to the decrease in exchange loss arising from the currencies conversion between the United States dollars and Hong Kong dollars and RMB. As at 30 June 2014, the Group has no bank borrowings.

In April 2014, the Group recognised a financial liability at fair value upon completion of the disposal of 40% of the issued share capital of Elite Empire. The financial liability is measured at amortised cost using the effective interest rate method. For the six months ended 30 June 2014, the effective interest rate amortisation amounted to HK\$30.1 million was fully capitalised in properties under development.

## **BUSINESS REVIEW**

### *Shenyang, Liaoning Province*

The Dadong District (大東區) property development project, with an aggregate site area of 44,923 square metres, is subdivided into two sites, Northern lot and Southern lot with 30,450 square metres and 14,473 square metres respectively, by a pedestrian road. The project comprises of three phases of development. The first phase is located in the Southern lot with gross floor area (“GFA”) of approximately 171,000 square metres, with two blocks of residential tower, one block of SOHO and commercial/retail development. The second and third phase is located in the Northern lot with GFA of approximately 387,000 square metres, with two blocks of SOHO, two blocks of service apartment/hotel and office tower and commercial/retail development.

Up to 30 June 2014, the registered capital of US\$114.1 million (equivalent to RMB738.2 million) has been injected. The State-owned Land Use Right Certificate (國有土地使用證) and the Land Use Permit (建設用地規劃許可證) of the Southern lot have been issued in December 2013 and September 2013 respectively. The demolition and settlement work of the Southern lot was completed and handed over. Excavation and foundation work has been started in the third quarter of 2013 and basement work construction has been commenced.

The Huanggu District (皇姑區) property development project, with a site area of approximately 67,000 square metres, is a mixed development which comprises commercial/retail, residential and office/hotel. As of today, the consideration for the land use rights is RMB1,176.8 million, of which RMB235.4 million has been paid. The demolition and settlement work is responsible by the local government and will likely to be commenced in 2015.

### *Cangzhou, Hebei Province*

The Huanghua New City (黃驊新城) property development project, with a site area of 32,336 square metres, is a commercial/retail development to provide shopping mall, entertainment, dining and recreational facilities with a total GFA of approximately 45,000 square metres. The consideration for the land use rights is RMB15.3 million. The State-owned Land Use Right Certificate (國有土地使用證) and the Land Use Permit (建設用地規劃許可證) have been obtained in April 2013 and November 2013 respectively. Main contract work is expected to be commenced upon obtaining the Construction Planning Permit (建設工程規劃許可證) and the Construction Permit (建設工程施工許可證).

In February 2014, the Group won a bid at the tender for the acquisition of the land immediately adjacent to our existing Huanghua New City property development project with a site area of 32,921 square metres and allowable GFA of approximately 99,000 square metres. As of today, the consideration for the land acquisition amounted to RMB15,540,000 has been fully paid. The above newly acquired land, being the second phase to our existing Huanghua New City property development project, will further provide commercial/retail/office/hotel facilities.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2014, the Group had a current ratio of 1.8 and had no bank borrowings. As at 31 December 2013, the Group had a current ratio of 4.8 and had no bank borrowings. The Group's operations and investments continue to be financed by internal resources and will be financed by bank borrowings.

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

As published in the joint announcement of the Company and SCC dated 18 February 2014, pursuant to the sales and purchase agreement dated 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of SCC, entered into the sales and purchase agreement with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of the Company, whereby the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the sale shares, being 40% of the issued share capital of Elite Empire at a consideration of HK\$600 million. As contemplated under the sales and purchase agreement, SCC and the Company entered into a deed of undertaking to be executed by SCC, the Company and Elite Empire (the "Deed of Undertaking") whereby SCC shall give each guarantee in favour of the prospective lender(s) of any member of Elite Empire and its subsidiaries to be granted by SCC subject to the terms and conditions of the sales and purchase agreement and the Deed of Undertaking which the Company shall in return counter guarantee subject to a limit of liability; and, the Vendor and the Purchaser shall enter into the put and call options agreement to grant each other an option on the sale shares.

As published in the joint announcement of the Company and SCC dated 17 April 2014, the completion took place on the day immediately after the extraordinary general meetings of the Company and SCC, both held on 10 April 2014.

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

During the six months ended 30 June 2014, 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 2014, the Group had no pledge of assets and contingent liabilities.

## **PROSPECTS**

Shenyang is the heart of the Northeastern region (東北三省) (namely, Liaoning Province, Jilin Province and Heilongjiang Province), and is the capital city of Liaoning Province. Shenyang is a famous historic cultural city with a city population of over 8 million, and is the gateway to China's Northeastern region. In view of the strong encouragement from the Central People's Government to develop the Northeastern region, Shenyang has been experiencing rapid growth in both the domestic economy and the brisk development in the infrastructure facilities.

The Group's property development projects in Dadong District and Huanggu District situated right at the heart of the Shenyang, the capital city of Liaoning Province. The Dadong District property development project is in the Zhongjie pedestrian commercial zone (中街步行商業區). The Zhongjie pedestrian commercial zone is the busiest shopping district in Shenyang. It is the longest standing and most traditional shopping centre of the city since the Qing Dynasty. The Huanggu District property development project is in the Changjiang pedestrian shopping street (長江步行購物街), being one of the three major shopping districts in Shenyang and is also the centre of the Huanggu's commercial hub.

The Group will continue to focus on its core property development projects, such as Dadong District project, in the foreseeable future. Meanwhile, the Group will also look for prime locations for possibly small to medium sized projects should desirable opportunities arise. As at the date of this report, the Group has paid deposits and premiums for lands located in Cangzhou, Hebei Province and Shenyang, Liaoning Province with site areas of approximately 187,000 square metres in aggregate for its property development operations.

#### **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 2014, the interests and short positions of the Directors and the chief executive 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, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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:

##### **(i) Long positions in shares**

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Total number of ordinary shares</b>	<b>Approximate percentage of shareholding to total issued ordinary shares</b>
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,495,060,667	67.05%
	Interest of spouse	967,923,774		
	Interest of controlled corporations	6,163,743,154 (Note (a))		
Ko Pak Yau William ("Mr. Ko")	Beneficial owner		31,948,882 (Note (b))	0.29%
Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner		2,602,667	0.02%
Ng Yuk Fung Peter ("Mr. Peter Ng")	Beneficial owner		493,346,667	4.41%
Law Albert Yu Kwan ("Mr. Law")	Beneficial owner		1,472,000 (Note (c))	0.01%

**(ii) Long positions in underlying shares**

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of underlying ordinary shares</b>	<b>Approximate percentage of shareholding to total issued ordinary shares</b>
Mr. Ko	Beneficial owner	111,784,000 <i>(Note (b))</i>	1.00%
Mr. Paul Ng	Beneficial owner	83,840,000 <i>(Note (d))</i>	0.75%
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 <i>(Note (d))</i>	0.50%
Mr. Peter Ng	Beneficial owner	55,896,000 <i>(Note (d))</i>	0.50%
Mr. Law	Beneficial owner	67,528,000 <i>(Note (e))</i>	0.61%

*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 were all wholly-owned by Mr. Ng. Mr. Ng holds Worldunity and SC Strategic indirectly via South China Holdings Limited ("SCH") and SCC respectively. SCH and SCC were owned as to approximately to 73.72% and 63.01% respectively by Mr. Ng while Bannock was a wholly-owned subsidiary of Eartrade which was owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by 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 aggregate 2,238,789,644 shares held by Bannock and Eartrade.
- (b) The 31,948,882 shares of the Company held by Mr. Ko were the share awarded to him under the Company's employees' share award scheme (the "Share Award Scheme") on 1 October 2013, and such award shares were vested on the same day. The 111,784,000 underlying shares of the Company held by Mr. Ko were the share options granted to him on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012 (the "Share Option Scheme").
- (c) The 1,472,000 shares of the Company held by Mr. Law were the shares awarded to him under the employees' share award scheme of SCC (the "SCC Share Award Scheme"). Mr. Law was awarded 736,000 shares and 736,000 shares of the Company on 13 April 2011 and 19 July 2011, respectively, and such award shares were vested on 31 December 2012 and 30 June 2013, respectively.
- (d) The respective underlying shares of the Company held by Mr. Paul Ng, Ms. Cheung and Mr. Peter Ng were the share options granted to them under the Share Option Scheme on 1 October 2013.
- (e) The 11,632,000 underlying shares of the Company held by Mr. Law were the shares awarded to him under the SCC Share Award Scheme. Mr. Law was awarded 3,000,000 shares and 8,632,000 shares of the Company on 30 March 2012 and 28 March 2013, respectively, with vesting dates ranging from 31 December 2014 to 31 December 2015. The 55,896,000 underlying shares of the Company held by Mr. Law were the share options granted to him under the Share Option Scheme on 1 October 2013.



Save as disclosed above, as at 30 June 2014, none of the Directors or the chief executive of the Company had 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 of the Directors' and Chief Executives' Interests, 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 2014, the following person/corporations, other than the Directors and the 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 SFO (the "Register of Substantial Shareholders' Interests"):

### **Long positions in shares**

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of shareholding to total issued ordinary shares</b>
Eartrade	Beneficial owner and interest of a 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 ("Ms. Ng")	Beneficial owner and interest of spouse	7,495,060,667 <i>(Note (b))</i>	67.05%

#### *Notes:*

- (a) Bannock was a wholly-owned subsidiary of Eartrade. The 2,238,789,644 shares in the Company held by Eartrade included 1,088,784,847 shares held by Bannock directly.
- (b) Ms. Ng, who held 967,923,774 shares in the Company beneficially, was the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was 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 2014, no person or corporation, other than the Directors or the chief executive of the Company, whose interests are set out in 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, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

## EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the Share Award Scheme for recognising 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 HK\$20 million will be used for the purchase of shares of the Company and/or SCC from the 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 will be determined by the Board from time to time at its absolute discretion.

## SHARE OPTION SCHEME

The adoption of Share Option Scheme was approved by shareholders of the Company and became effective on 8 May 2012. Particulars and movements of the outstanding share options granted under the Share Option Scheme during the six months ended 30 June 2014 were as follows:

Name or category of participant	Number of share options					Balance as at 30/06/2014	Date of grant of share options (DD/MM/YYYY)	Exercisable periods of share options (Note i)	Exercise price per share HK\$	Price of Shares immediately preceding the grant date of share option (Note ii) HK\$	The weighted average closing price immediately preceding the exercise date of share option (Note iii) HK\$	
	Balance as at 01/01/2014	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period							
<b>Directors</b>												
Mr. Ko	33,536,000	-	-	-	-	33,536,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A	
	33,536,000	-	-	-	-	33,536,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A	
	44,712,000	-	-	-	-	44,712,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A	
Mr. Paul Ng	25,152,000	-	-	-	-	25,152,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A	
	25,152,000	-	-	-	-	25,152,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A	
	33,536,000	-	-	-	-	33,536,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A	
Ms. Cheung	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A	
	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A	
	22,360,000	-	-	-	-	22,360,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A	
Mr. Peter Ng	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A	
	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A	
	22,360,000	-	-	-	-	22,360,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A	
Mr. Law	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A	
	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A	
	22,360,000	-	-	-	-	22,360,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A	
Sub-total	<u>363,312,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,312,000</u>						
<b>Employees</b>												
In aggregate	-	3,184,000	-	-	-	3,184,000	15/01/2014	15/01/2017-14/01/2024	0.188	0.168	N/A	
	-	3,184,000	-	-	-	3,184,000	15/01/2014	15/01/2018-14/01/2024	0.188	0.168	N/A	
	-	4,264,000	-	-	-	4,264,000	15/01/2014	15/01/2019-14/01/2024	0.188	0.168	N/A	
	-	3,184,000	-	-	-	3,184,000	28/04/2014	28/04/2017-27/04/2024	0.188	0.138	N/A	
	-	3,184,000	-	-	-	3,184,000	28/04/2014	28/04/2018-27/04/2024	0.188	0.138	N/A	
	-	4,264,000	-	-	-	4,264,000	28/04/2014	28/04/2019-27/04/2024	0.188	0.138	N/A	
	-	1,592,000	-	-	-	1,592,000	07/05/2014	28/04/2017-27/04/2024	0.188	0.133	N/A	
	-	1,592,000	-	-	-	1,592,000	07/05/2014	28/04/2018-27/04/2024	0.188	0.133	N/A	
	-	2,128,000	-	-	-	2,128,000	07/05/2014	28/04/2019-27/04/2024	0.188	0.133	N/A	
	Sub-total	<u>-</u>	<u>26,576,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,576,000</u>					
	<b>Total</b>	<u>363,312,000</u>	<u>26,576,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,888,000</u>					

Notes:

- (i) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

<b>From the date of grant of share options</b>	<b>Exercisable percentage</b>
Within 36 months	Nil
37th–48th months	30%
49th–60th months	60%
61st–120th months	100%

- (ii) The price of the shares disclosed as immediately preceding the date of grant of the share options during the period is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.
- (iii) The weight average closing price of the shares immediately before the date on which the options are exercised during the period.
- (iv) The fair values of share options granted on 15 January 2014, 28 April 2014 and 7 May 2014 and measured at the respective date of grant were approximately HK\$1,118,000, HK\$848,000 and HK\$401,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

<b>Date of grant</b>	<b>15 January 2014</b>	<b>28 April 2014</b>	<b>7 May 2014</b>
Expected volatility	53.559%	52.875%	52.836%
Expected life (in years)	10.0	10.0	9.9
Risk free interest rate	2.306%	2.164%	2.040%
Expected dividend yield	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

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

Mr. Ng, the Chairman, an Executive Director and the controlling shareholder of the Company, is also the chairman and an executive director of SCH and SCC. Mr. Ng, personally and through controlled corporations, has a controlling shareholding interest in each of the Company, SCH and SCC, of which certain corporate interests 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 shareholding interest in the Company, also has certain shareholding interest in SCC. Mr. Peter Ng, an Executive Director of the Company with certain shareholding interest in the Company, is also an executive director of SCH and SCC with certain shareholding interest in SCC. Mr. Law, an Executive Director of the Company with certain shareholding interest in the Company, is also an executive director of SCC with certain shareholding interest in the 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 shareholding interest in SCC. Since certain subsidiaries of SCH and SCC are principally engaged in property development or investment business, each of Mr. Ng, Mr. Gorges, Ms. Cheung, Mr. Paul Ng, Mr. Peter Ng, Mr. Law 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 independent of and at arm's length from the business of SCH and SCC and there is no direct competition amongst the said three listed groups during the period.

Save as disclosed above, as at 30 June 2014, 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 LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2014, the trustee of the Share Award Scheme purchased a total of 904,000 shares of the Company at a total consideration of approximately HK\$129,000 pursuant to the terms of the rules and trust deed of the Share Award Scheme. Other than that, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares during the period.

#### **CORPORATE GOVERNANCE CODE**

The Company had complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2014 except that Mr. Ng, the Chairman and an Executive Director of the Company was unable to attend the annual general meeting of the Company held on 10 June 2014 since he had other business engagements, which deviated from code provision E.1.2.

#### **COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS**

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2014.

By Order of the Board  
**South China Land Limited**  
**Ng Hung Sang**  
*Chairman and Executive Director*

Hong Kong, 5 August 2014

*As at the date of this report, the Directors of the Company are (1) Mr. Ng Hung Sang, Mr. Ko Pak Yau William, Mr. Ng Yuk Yeung Paul, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Ng Yuk Fung Peter and Mr. Law Albert Yu Kwan as executive directors; (2) Ms. Ng Yuk Mui Jessica as non-executive director; and (3) Ms. Pong Scarlett Oi Lan, J.P., Dr. Leung Tony Ka Tung, Mr. Lau Lai Chiu Patrick and Ms. Chan Mei Bo Mabel as independent non-executive directors.*