



SOUTH CHINA LAND LIMITED

南華置地有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8155)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

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 2015 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	2	-	-	-	-
Other operating income		5	28	32	278
Loss on disposal of available-for-sale financial assets		(1,176)	-	(15,790)	-
Fair value gain/(loss) on financial assets at fair value through profit or loss		4,072	(45)	3,556	(322)
Fair value gain/(loss) on redemption option embedded in redeemable convertible preference shares of a related company		18,023	1,668	52,937	(11,475)
Administrative and other operating expenses		(5,216)	(7,489)	(8,995)	(11,735)
Operating profit/(loss)	4	15,708	(5,838)	31,740	(23,254)
Finance costs	5	(71)	(84)	(141)	(165)
Profit/(loss) before income tax		15,637	(5,922)	31,599	(23,419)
Income tax expense	6	-	-	-	-
Profit/(loss) for the period attributable to the equity holders of the Company		15,637	(5,922)	31,599	(23,419)
Earnings/(loss) per share attributable to the equity holders of the Company for the period	8	HK0.14 cent	HK(0.05) cent	HK0.29 cent	HK(0.21) cent
Basic and diluted					

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	15,637	(5,922)	31,599	(23,419)
Other comprehensive (loss)/income, that may be reclassified subsequently to profit or loss				
Release of available-for-sale financial assets revaluation reserve upon disposal of available-for-sale financial assets	(53)	–	2,035	–
Fair value gain/(loss) on available-for-sale financial assets	777,167	(8,070)	606,504	(51,360)
Exchange differences on translation of financial statements of overseas subsidiaries	(991)	(2,592)	(3,514)	(34,099)
Total comprehensive income/(loss) for the period attributable to the equity holders of the Company	791,760	(16,584)	636,624	(108,878)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,703	4,379
Goodwill		355,326	355,326
Available-for-sale financial assets		<u>2,042,342</u>	<u>1,510,435</u>
		<u>2,401,371</u>	<u>1,870,140</u>
Current assets			
Properties under development		1,052,087	997,466
Financial assets at fair value through profit or loss		8,432	4,876
Deposits paid, prepayments and other receivables		859,329	779,674
Tax recoverable		352	352
Cash and bank balances		<u>46,671</u>	<u>57,147</u>
		<u>1,966,871</u>	<u>1,839,515</u>
Current liabilities			
Trade payables	9	1,797	1,800
Other payables, accrued expenses and receipts in advance	10	178,291	113,821
Financial liabilities in respect of redemption option embedded in redeemable convertible preference shares of a related company		62,566	119,094
Loan from a related company		78,000	78,000
Amount due to a related company		38,446	32,765
Loan payable	11	<u>700,000</u>	<u>695,649</u>
		<u>1,059,100</u>	<u>1,041,129</u>
Net current assets		<u>907,771</u>	<u>798,386</u>
Total assets less current liabilities		<u>3,309,142</u>	<u>2,668,526</u>
Non-current liabilities			
Loans from shareholders		<u>455,290</u>	<u>455,290</u>
Net assets		<u><u>2,853,852</u></u>	<u><u>2,213,236</u></u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		111,785	111,785
Reserves		<u>2,742,067</u>	<u>2,101,451</u>
Total equity		<u><u>2,853,852</u></u>	<u><u>2,213,236</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 equity HK\$'000
At 1 January 2014 (audited)	111,785	771,842	(134)	6,044	291,562	4,445	3,566	100,576	838,614	2,128,300
Transactions with owners										
Recognition of equity settled share-based compensation	-	-	-	-	-	-	6,107	-	-	6,107
Purchase of shares for share award scheme	-	-	(129)	-	-	-	-	-	-	(129)
Vesting of share awards under share award scheme	-	-	247	-	-	-	(146)	-	(101)	-
Forfeit of share awards under share award scheme	-	-	-	-	-	-	(162)	-	162	-
Transactions with owners	-	-	118	-	-	-	5,799	-	61	5,978
Comprehensive loss										
Loss for the period	-	-	-	-	-	-	-	-	(23,419)	(23,419)
Other comprehensive loss										
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)
At 30 June 2014 (unaudited)	<u>111,785</u>	<u>771,842</u>	<u>(16)</u>	<u>6,044</u>	<u>291,562</u>	<u>(46,915)</u>	<u>9,365</u>	<u>66,477</u>	<u>815,256</u>	<u>2,025,400</u>
At 31 December 2014 and 1 January 2015 (audited)	111,785	771,842	(20,830)	6,044	291,562	135,606	10,576	69,773	836,878	2,213,236
Transactions with owners										
Recognition of equity settled share-based compensation	-	-	-	-	-	-	3,992	-	-	3,992
Lapse of share options under share option scheme	-	-	-	-	-	-	(485)	-	485	-
Transactions with owners	-	-	-	-	-	-	3,507	-	485	3,992
Comprehensive income										
Profit for the period	-	-	-	-	-	-	-	-	31,599	31,599
Other comprehensive income/(loss)										
Release of reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	2,035	-	-	-	2,035
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	606,504	-	-	-	606,504
Exchange realignment	-	-	-	-	-	-	-	(3,514)	-	(3,514)
Total comprehensive income/(loss) for the period	-	-	-	-	-	608,539	-	(3,514)	31,599	636,624
At 30 June 2015 (unaudited)	<u>111,785</u>	<u>771,842</u>	<u>(20,830)</u>	<u>6,044</u>	<u>291,562</u>	<u>744,145</u>	<u>14,083</u>	<u>66,259</u>	<u>868,962</u>	<u>2,853,852</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(122,523)	(153,296)
Net cash generated from/(used in) investing activities	107,262	(1,292)
Net cash generated from financing activities	5,681	295,146
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Net (decrease)/increase in cash and cash equivalents	(9,580)	140,558
Cash and cash equivalents, beginning of the period	57,147	16,355
Effect of foreign exchange rate changes	(896)	86
	<hr/>	<hr/>
Cash and cash equivalents, end of the period	46,671	156,999
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Analysis of the cash and cash equivalents		
Cash and bank balances	46,671	156,999
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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 2014 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 2015, as disclosed in the annual financial statements for the year ended 31 December 2014. 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.

The unaudited interim financial statements should be read in conjunction with the annual report for the year ended 31 December 2014.

2. REVENUE

There was no revenue recorded for the three months and six months ended 30 June 2015 and 30 June 2014. 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 regular internal financial information reported to the Group’s management for their decisions about resources allocation 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 PROFIT/(LOSS)

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Operating profit/(loss) is arrived at after charging/(crediting):				
Depreciation	347	237	684	461
Less: Depreciation capitalised in properties under development	(201)	(152)	(402)	(308)
	<u>146</u>	<u>85</u>	<u>282</u>	<u>153</u>
Employee benefit expense (including directors' emoluments)	14,225	17,069	30,596	31,050
Less: Employee benefit expense capitalised in properties under development	(12,125)	(13,716)	(26,682)	(25,464)
	<u>2,100</u>	<u>3,353</u>	<u>3,914</u>	<u>5,586</u>
Exchange loss/(gain), net	<u>17</u>	<u>(309)</u>	<u>(708)</u>	<u>169</u>

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest charged on loan from a related company	973	974	1,934	1,925
Interest charged on loans from shareholders	5,588	5,215	11,115	10,680
Interest charged on loan payable	-	30,055	4,351	30,055
Total interest	<u>6,561</u>	<u>36,244</u>	<u>17,400</u>	<u>42,660</u>
Less: Interest capitalised in properties under development	(6,490)	(36,160)	(17,259)	(42,495)
	<u>71</u>	<u>84</u>	<u>141</u>	<u>165</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 2015 and 30 June 2014.

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 2015 and 30 June 2014.

7. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

8. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Unaudited profit/(loss) attributable to the equity holders of the Company used in the basic earnings/(loss) per share calculation	15,637	(5,922)	31,599	(23,419)
	11,178,498,344	11,178,498,344	11,178,498,344	11,178,498,344
Less: Weighted average number of shares held for share award scheme	(174,203,118)	(904,000)	(174,203,118)	(484,464)
Weighted average number of ordinary shares used in the basic earnings/(loss) per share calculation	11,004,295,226	11,177,594,344	11,004,295,226	11,178,013,880

There is no material dilutive potential ordinary share for the three months and six months ended 30 June 2015 and 30 June 2014.

The Company granted 26,576,000 share options during the six months ended 30 June 2014 and no share option was granted during the six months ended 30 June 2015. The Company's share options have no dilution effect for the three months and six months ended 30 June 2015 and 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 periods.

9. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Within 30 days	-	-
31 – 60 days	-	-
61 – 90 days	-	-
91 – 180 days	-	13
Over 180 days	<u>1,797</u>	<u>1,787</u>
	<u>1,797</u>	<u>1,800</u>

10. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

As at 30 June 2015, 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\$100,997,000 (As at 31 December 2014: HK\$89,882,000) and HK\$1,934,000 (As at 31 December 2014: HK\$Nil), 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 Hongkong and Shanghai Banking 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 Hongkong and Shanghai Banking 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 2014.

11. LOAN PAYABLE

In February 2014, Perennial Success Limited (the “Purchaser”), an indirect wholly-owned subsidiary of South China Holdings Company Limited (formerly known as South China (China) Limited) (“SCHC”), entered into a 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) a refundable deposit in the sum of HK\$10 million in cash; (ii) cash payment of HK\$290 million made by the Purchaser on or before the Transaction Completion Date (as below-mentioned); and (iii) issue of the convertible preference shares by SCHC to the Vendor or its nominee(s) for HK\$300 million, on the Transaction Completion Date.

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 period of 15 months commencing on the first day of the tenth months from the Transaction Completion Date and expiring on the last day of the twenty-fourth month from the Transaction Completion Date, both days inclusive (the “Option Exercisable Period”). 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.

The abovementioned transactions were completed on 11 April 2014 (the “Transaction Completion Date”). 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 on the Transaction Completion Date, 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 Transaction Completion Date to the commencement of the Option Exercisable Period has been capitalised as part of the cost of properties under development.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a profit attributable to the equity holders of the Company for the six months ended 30 June 2015 of HK\$31.6 million (six months ended 30 June 2014: a loss of HK\$23.4 million). The profit attributable to the equity holders of the Company for the six months ended 30 June 2015 primarily represented the fair value gain on redemption option embedded in redeemable convertible preference shares of a related company.

FINANCIAL REVIEW

No revenue was reported for the six months ended 30 June 2015 and 30 June 2014. 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\$9.0 million (six months ended 30 June 2014: HK\$11.7 million) for the period under review. The decrease in administrative and other operating expenses was mainly attributable to the decrease in salaries and allowances and exchange loss arising from the currencies conversion between the United States dollars and Hong Kong dollars and RMB. As at 30 June 2015, the Group had no bank borrowings.

BUSINESS REVIEW

Shenyang, Liaoning Province

The Dadong District (大東區) property development project, with an aggregate site area of 44,923 square metres comprises the southern site with a site area of 14,473 square metres (the “Southern Lot”) and the northern site with a site area of 30,450 square metres (the “Northern Lot”). It is a mixed development comprising service apartments, residential units, office, shopping area, catering and entertainment facilities, hotel and car park with total gross floor area (“GFA”) of approximately 558,000 square metres as currently planned of which the GFA of the Southern Lot and Northern Lot are approximately 171,000 square metres and 387,000 square metres, respectively. The GFA by usage as service apartments and residential units, office, shopping area (including catering and entertainment facilities), hotel and car park are 200,000 square metres, 92,000 square metres, 175,000 square metres, 35,000 square metres and 56,000 square metres, respectively. The project will be carried out by three phases with the Southern Lot being the first phase development and the Northern Lot being the second and third phases. The Southern Lot has been handed over to the Group following the completion of relocation of occupants and site clearance works and the Group has obtained the State-owned Land Use Right Certificate (國有土地使用證) and Land Use Permit (建設用地規劃許可證) for the same in December 2013 and September 2013, respectively. The excavation and foundation works for the Southern Lot have commenced in the third quarter of 2013. Shenyang Planning and Land Resources Bureau (瀋陽市規劃和國土資源局) has approved the revised design plan and the related extended development design submitted in the first quarter of 2015. The Group is yet to pay the remaining resettlement costs before the issuance of the State-owned Land Use Right Certificate (國有土地使用證) for the Northern Lot.

Up to 30 June 2015, the registered capital of US\$119.7 million (equivalent to RMB772.3 million) has been injected.

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.

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. As of today, the State-owned Land Use Right Certificate (國有土地使用證), the Land Use Permit (建設用地規劃許可證) and the Construction Planning Permit (建設工程規劃許可證) have been obtained. Main contract work is expected to be commenced upon obtaining 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 RMB15.5 million 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.

Tianjin

The Wuqing District (武清區) property development project, with a site area of approximately 88,000 square metres, is a mixed development comprising commercial and residential units. The development design and master layout plan of this project is currently under study. The consideration for the land use rights has been paid in full and the issuance of the State-owned Land Use Right Certificate (國有土地使用證) is pending the payment of the deed tax and the completion of the relevant administrative procedures.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had a current ratio of 1.9 and had no bank borrowings. As at 31 December 2014, the Group had a current ratio of 1.8 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 South China Financial Holdings Limited ("SCF") dated 18 May 2015, SCF entered into the sale and purchase agreement with Wealth Anchor Holdings Limited ("WAHL"), a direct wholly-owned subsidiary of the Company, whereby WAHL has conditionally agreed to acquire and SCF has conditionally agreed to sell the sale shares, being the entire issued share capital of South China Asset Management Limited (the "Target Company"), its principal activities consist of the provision of investment advisory and asset management services. The consideration, shall be the net asset value, was arrived at after arm's length negotiation between SCF and WAHL with reference to the net asset value of the Target Company as at 30 April 2015. According to the management accounts as at 30 April 2015, the net asset value of the Target Company was approximately HK\$5.6 million. The consideration shall be paid in cash, cashier order or telegraphic or other electronic means of transfer of cleared funds at completion.

The completion of the transaction is conditional upon and subject to the fulfillment of certain conditions precedent as set out in the sale and purchase agreement including, among other things, the approval in relation to the change of substantial shareholder (as defined under the Securities and Futures Ordinance ("SFO")) of the Target Company having been granted by the Securities and Futures Commission ("SFC"), and all other approvals, consents and authorizations of the SFC and other authorities or bodies having been obtained to conduct the business, which the Target Company is currently licensed to conduct its business in which include type 4 (advising on securities) and type 9 (asset management) under the SFO, after completion.

As published in the joint announcement of the Company and SCHC dated 16 June 2015, Perennial Success Limited (“Purchaser A”) and Profit Runner Investments Limited (“Purchaser B”), each an indirect wholly-owned subsidiary of SCHC, entered into the agreements with Crystal Hub Limited, a direct wholly-owned subsidiary of the Company, pursuant to which, among other terms, the Vendor conditionally agreed to dispose of and Purchaser A and Purchaser B conditionally agreed to acquire 100% of the issued share capital of Elite Empire Investments Limited (“Sale Shares A”), 100% of the issued share capital of Bigwin Investments Limited (“Sale Share B”) and the total outstanding balances of all the loans made by the Vendor to Elite Empire Group and Bigwin Investments Limited and its subsidiaries, immediately before the completion (respectively referred as “Sale Debt A” and “Sale Debt B”) at the consideration not exceeding HK\$1,654.1 million (subject to adjustment). The consideration shall be satisfied by (i) applying the exercise price of the Put Option in the sum of HK\$700 million payable by the Vendor to Purchaser A upon the exercise of such Put Option; (ii) cash payment in the sum of HK\$92.85 million and (iii) as procured by Purchaser A and Purchaser B, the issue of the 2015 Convertible Preference Shares by SCHC to the Vendor or its nominee(s) for the remaining balance, i.e. HK\$861.25 million. Also as contemplated under the agreements (referred as the “Sale Shares Agreement” and the “Sale Debts Agreement”), SCHC and the Company shall enter into a deed of undertaking whereby SCHC shall, at the request of the Company, grant guarantee(s) for which the Company shall in return provide counter guarantees. The completion of the transactions is subject to the approval by the independent shareholders of the Company at the extraordinary general meeting.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES OR ANY RELATED HEDGES

During the six months ended 30 June 2015, 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 2015, the Group had no pledge of assets and contingent liabilities.

PROSPECTS

In a recent review of its existing business, the Company’s management was of the view that it is in the best interest of the Group to consolidate its existing property development business and diversify into new business which is able to produce steady income stream given the existing market conditions and the resources available. As mentioned in the joint announcement of the Company and SCF issued on 18 May 2015, the Group will acquire a company engaged in provision of investment advisory and asset management service, and is exploring other potential business opportunities in financial services related businesses.

Given the delay in construction of the Dadong District (大東區) property development project due to certain changes in the development design, including the unit distribution and positioning of certain towers, to better suit the market and, hence, the possibility of Purchaser A exercising the Put Option, as part of the exercise to consolidate the existing property development projects with a view to rationalise the existing businesses and build a stable platform to move forward, the Group has to deal with the Put Option, which Purchaser A may exercise, to relieve the Group from such burden, unload sizable property development projects which call for substantial resources, and focus on small to medium size projects, for instance, the project at the Huanghua New City (黃驊新城).

As of today, the Group has paid deposits and premiums for lands located in Cangzhou, Hebei Province, Tianjin and Shenyang, Liaoning Province with site areas of approximately 275,000 square meters 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 2015, 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

Name of Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,257,190,003	64.92%
	Interest of spouse	967,923,774		
	Interest of controlled corporations	5,925,872,490 <i>(Note (a))</i>		
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		4,472,000 <i>(Note (b))</i>	0.04%

(ii) Long positions in underlying shares

Name of Directors	Capacity	Number of underlying ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Mr. Paul Ng	Beneficial owner	83,840,000 <i>(Note (c))</i>	0.75%
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 <i>(Note (c))</i>	0.50%
Mr. Peter Ng	Beneficial owner	55,896,000 <i>(Note (c))</i>	0.50%
Mr. Law	Beneficial owner	64,528,000 <i>(Notes (c)&(d))</i>	0.58%

Notes:

- (a) The 5,925,872,490 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”), 65,104,000 shares held by South China Strategic Limited (“SC Strategic”) and 11,192 shares held by South China Finance And Management Limited (“SCFM”). Fung Shing, Parkfield and Ronastar were all wholly-owned by Mr. Ng. Mr. Ng holds SC Strategic and SCFM indirectly via South China Holdings Company Limited (formerly known as South China (China) Limited) (“SCHC”) and South China Financial Holdings Limited (“SCF”) respectively. SCHC and SCF were owned as to approximately to 60.87% and 34.90% 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 65,104,000 shares held by SC Strategic, 11,192 shares held by SCFM and the aggregate 2,238,789,644 shares held by Bannock and Eartrade.
- (b) The 4,472,000 shares of the Company held by Mr. Law were the shares awarded to him under the employees’ share award scheme of SCHC (the “SCHC Share Award Scheme”). Mr. Law was awarded 736,000 shares, 736,000 shares and 3,000,000 shares of the Company on 13 April 2011, 19 July 2011 and 30 March 2012, respectively, and such award shares were vested on 31 December 2012, 30 June 2013 and 31 December 2014, respectively.
- (c) 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 on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012 (the “Share Option Scheme”).
- (d) The 8,632,000 underlying shares of the Company held by Mr. Law were the shares awarded to him on 28 March 2013 under the SCHC Share Award Scheme, with vesting date on 31 December 2015. The 55,896,000 underlying shares of the Company held by Mr. Law were the share options granted to him on 1 October 2013 under the Share Option Scheme.

Save as disclosed above, as at 30 June 2015, 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 2015, the following person/corporations, other than the Directors or 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 of interests required to be kept by the Company under Section 336 of SFO (the “Register of Substantial Shareholders’ Interests”):

Long positions in shares

Name of shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Eartrade	Beneficial owner and interest of a 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 ("Ms. Ng")	Beneficial owner and interest of spouse	7,257,190,003 (Note (b))	64.92%

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 5,925,872,490 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 2015, 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 Company's employees' share award scheme (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\$50 million will be used for the purchase of shares of the Company and/or SCHC 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 the 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 2015 were as follows:

Name or category of participant	Number of share options						Price of shares				
	Balance as at 01/01/2015	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 30/06/2015	Date of grant of share options (DD/MM/YYYY)	Exercisable period of share options (Note i)	Exercise price per share option HK\$	Immediately preceding the grant date of share option (Note ii) HK\$	Immediately preceding the exercise date of share option (Note iii) HK\$
Directors											
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>251,528,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,528,000</u>					
Employees											
In aggregate	3,184,000	-	-	(3,184,000)	-	0	15/01/2014	15/01/2017 – 14/01/2024	0.188	0.168	N/A
	3,184,000	-	-	(3,184,000)	-	0	15/01/2014	15/01/2018 – 14/01/2024	0.188	0.168	N/A
	4,264,000	-	-	(4,264,000)	-	0	15/01/2014	15/01/2019 – 14/01/2024	0.188	0.168	N/A
	1,592,000	-	-	(1,592,000)	-	0	07/05/2014	28/04/2017 – 27/04/2024	0.188	0.133	N/A
	1,592,000	-	-	(1,592,000)	-	0	07/05/2014	28/04/2018 – 27/04/2024	0.188	0.133	N/A
	2,128,000	-	-	(2,128,000)	-	0	07/05/2014	28/04/2019 – 27/04/2024	0.188	0.133	N/A
Sub-total	<u>15,944,000</u>	<u>-</u>	<u>-</u>	<u>(15,944,000)</u>	<u>-</u>	<u>0</u>					
Total	<u>267,472,000</u>	<u>-</u>	<u>-</u>	<u>(15,944,000)</u>	<u>-</u>	<u>251,528,000</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:

From the date of grant of share options	Exercisable percentage
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 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 weighted average closing price of the shares immediately before the date on which the options are exercised.

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 SCHC. Mr. Ng, personally and through controlled corporations, has a controlling shareholding interest in each of the Company and SCHC, of which certain corporate interests in SCHC is held by Mr. Ng jointly with Mr. Gorges, an Executive Director of the Company (who is also an executive director of SCHC) and Ms. Cheung, an Executive Director of the Company (who is also an executive director of SCHC).

Mr. Paul Ng, an Executive Director of the Company with certain shareholding interest in the Company, also has certain shareholding interest in SCHC. Mr. Peter Ng, an Executive Director of the Company with certain shareholding interest in the Company, is also an executive director of SCHC with certain shareholding interest in SCHC. Mr. Law, an Executive Director of the Company with certain shareholding interest in the Company, is also an executive director of SCHC with certain shareholding interest in the SCHC.

Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), a Non-executive Director of the Company, is also a non-executive director of SCHC with certain shareholding interest in SCHC. Mr. David Michael Norman ("Mr. Norman"), a Non-executive Director of the Company, is also a non-executive director of SCHC.

Since certain subsidiaries of SCHC 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, Ms. Jessica Ng and Mr. Norman 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 SCHC and there is no direct competition amongst the said listed groups during the period.

Save as disclosed above, as at 30 June 2015, 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2015.

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 2015.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with GEM Rule 17.50A(1), changes to the information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of GEM Rule 17.50(2) since publication of the Company's latest annual report up to the date of this interim report are set out below:

Mr. Lau Lai Chiu Patrick has resigned as Independent Non-executive Director of the Company and ceased to act as a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company from 10 August 2015.

Mr. Norman has tendered his resignation as a Non-executive Director of the Company, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company which would take effect on 12 August 2015.

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 2015 except the followings:

Mr. Ng, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 9 June 2015 since he had other business engagements, which deviated from code provision E.1.2.

Reference is made to the announcement of the Company dated 10 August 2015 in respect of resignations of Board members. Following the aforesaid resignations, the Company failed to have sufficient independent non-executive directors representing at least one-third of the Board pursuant to Rule 5.05A of the GEM Listing Rules; the Company would not comply with the requirement of having a minimum of three members in the Audit Committee under Rule 5.28 of the GEM Listing Rules and would not have the composition of the Remuneration and Nomination Committee pursuant to its terms of reference. As stated in the above announcement, the Company is identifying suitable candidate(s) to fill the vacancies so as to meet the aforesaid requirements.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee presently comprises two Independent Non-executive Directors, namely Ms. Chan Mei Bo Mabel (Chairman of the Committee) and Ms. Pong Scarlett Oi Lan, J.P. and a Non-executive Director, namely Mr. Norman.

The Group's interim report for the six months ended 30 June 2015 has been 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 and Executive Director

Hong Kong, 11 August 2015

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, Mr. Ng Yuk Fung Peter and Mr. Law Albert Yu Kwan as executive directors; (2) Ms. Ng Yuk Mui Jessica and Mr. David Michael Norman as non-executive directors; and (3) Ms. Pong Scarlett Oi Lan, J.P., Dr. Leung Tony Ka Tung and Ms. Chan Mei Bo Mabel as independent non-executive directors.