



SOUTH CHINA (CHINA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2009

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of South China (China) Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2009	2008
	Notes	Unaudited HK\$'000	Unaudited HK\$'000
Revenue	2	635,014	706,617
Cost of sales		(538,533)	(625,076)
Gross profit		96,481	81,541
Other income and gain		9,991	15,049
Selling and distribution costs		(23,136)	(17,297)
Administrative and operating expenses		(120,605)	(147,209)
Non-cash equity-settled share option expenses		(4,491)	(3,158)
Gain/(loss) on disposal of assets and investments	3	5,252	(1,268)
Changes in fair value of assets	4	46,409	49,495
Excess over the cost of business combinations	15	–	215,103
Profit from operations	2&5	9,901	192,256
Finance costs		(7,908)	(9,189)
Impairment of advance to an associate		(416)	–
Share of profits and losses of associates		14,585	55,599
Profit before tax		16,162	238,666
Tax	6	(4,685)	(17,471)
Profit for the period		11,477	221,195
Attributable to:			
Equity holders of the Company		24,231	230,239
Minority interests		(12,754)	(9,044)
		11,477	221,195
Earnings per share attributable to ordinary equity holders of the Company:	8		
Basic		HK 0.9 cent	HK 8.7 cents
Diluted		HK 0.9 cent	HK 8.2 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period	11,477	221,195
Other comprehensive income for the period		
Exchange differences on translation of foreign operations	(212)	62,884
Net fair value gain on available-for-sale financial assets	—	2,130
Total comprehensive income for the period	11,265	286,209
Attributable to:		
Equity holders of the Company	24,021	286,221
Minority interests	(12,756)	(12)
	11,265	286,209

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2009 Unaudited HK\$'000	31 December 2008 Audited HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		248,847	258,263
Investment properties	9	1,500,857	1,619,673
Prepaid land lease payments		48,567	48,323
Construction in progress		27,203	27,279
Interests in associates	10	318,113	297,827
Biological assets		84,904	84,904
Available-for-sale financial assets		44,281	44,281
Other non-current assets	11	156,259	21,549
Goodwill		5,514	5,514
Total non-current assets		<u>2,434,545</u>	<u>2,407,613</u>
CURRENT ASSETS			
Properties under development		511,385	448,734
Properties held for sale	9	124,900	–
Inventories		326,752	296,979
Trade receivables	12	194,896	171,092
Prepayments, deposits and other receivables		110,375	79,216
Financial assets at fair value through profit or loss		9,834	10,945
Due from minority shareholder of a subsidiary		28,229	25,845
Tax recoverable		5,393	5,015
Cash and bank balances		111,352	150,497
Total current assets		<u>1,423,116</u>	<u>1,188,323</u>
CURRENT LIABILITIES			
Trade and bills payables	13	268,893	271,624
Receipts in advance, accruals and other payables		295,948	233,983
Interest-bearing bank and other borrowings		630,895	401,615
Due to minority shareholders of subsidiaries		26,255	19,899
Due to affiliates		3,616	10,132
Tax payable		26,253	28,054
Dividend payable		2,122	–
Promissory notes	14	97,079	–
Total current liabilities		<u>1,351,061</u>	<u>965,307</u>
NET CURRENT ASSETS		<u>72,055</u>	<u>223,016</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,506,600</u>	<u>2,630,629</u>

		30 June 2009 Unaudited HK\$'000	31 December 2008 Audited HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		246,888	281,845
Advances from minority shareholders of subsidiaries		29,346	29,119
Other non-current liabilities		85,185	85,419
Promissory notes	14	–	97,079
Deferred tax liabilities		232,717	229,580
		<hr/>	<hr/>
Total non-current liabilities		594,136	723,042
		<hr/>	<hr/>
Net assets		<u>1,912,464</u>	<u>1,907,587</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		53,071	53,040
Reserves		1,745,634	1,716,617
Proposed final dividend		–	2,122
		<hr/>	<hr/>
		1,798,705	1,771,779
Minority interests		113,759	135,808
		<hr/>	<hr/>
Total equity		<u>1,912,464</u>	<u>1,907,587</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital and share premium Unaudited HK\$'000	Other reserves Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Dividends Unaudited HK\$'000	Attributable to equity holders of the Company Unaudited HK\$'000	Minority interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 January 2009	246,564	337,295	1,185,798	2,122	1,771,779	135,808	1,907,587
Issue of shares upon exercise of share warrants	624	–	–	–	624	–	624
Acquisition of additional interest in a subsidiary	–	–	–	–	–	(252)	(252)
Recognition of equity-settled share based compensation	–	4,403	–	–	4,403	88	4,491
Transfer to statutory reserves	–	855	(855)	–	–	–	–
Final 2008 dividend declared	–	–	–	(2,122)	(2,122)	–	(2,122)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	(9,129)	(9,129)
Total comprehensive income for the period	–	(210)	24,231	–	24,021	(12,756)	11,265
At 30 June 2009	<u>247,188</u>	<u>342,343</u>	<u>1,209,174</u>	<u>–</u>	<u>1,798,705</u>	<u>113,759</u>	<u>1,912,464</u>
At 1 January 2008	246,526	257,573	1,111,177	26,519	1,641,795	93,853	1,735,648
Issue of shares upon exercise of share warrants	38	–	–	–	38	–	38
Acquisition of subsidiaries	–	–	–	–	–	10,422	10,422
Recognition of equity-settled share based compensation	–	2,880	–	–	2,880	278	3,158
Final 2007 dividend declared	–	–	–	(26,519)	(26,519)	–	(26,519)
Total comprehensive income for the period	–	55,982	230,239	–	286,221	(12)	286,209
At 30 June 2008	<u>246,564</u>	<u>316,435</u>	<u>1,341,416</u>	<u>–</u>	<u>1,904,415</u>	<u>104,541</u>	<u>2,008,956</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(116,648)	(272,301)
Net cash (outflow)/inflow from investing activities	(107,776)	155,679
Net cash inflow from financing activities	<u>111,553</u>	<u>142,952</u>
Net (decrease)/increase in cash and cash equivalents	(112,871)	26,330
Cash and cash equivalents at beginning of the period	<u>149,625</u>	<u>145,787</u>
Cash and cash equivalents at end of the period	<u><u>36,754</u></u>	<u><u>172,117</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. Principal accounting policies

The unaudited condensed interim financial statements ("interim financial statements") have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standards No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008 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 2009, as disclosed in the annual financial statements for the year ended 31 December 2008. The adoption of these new Hong Kong Financial Reporting Standards does not have significant impact on the Group's results of operations and financial position.

These interim financial statements should be read, where relevant, in conjunction with the 2008 annual financial statements of the Group.

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

2. Revenue and segmental information

An analysis of the Group's consolidated revenue and contribution to profit from operations by principal activity and geographical location for the six months ended 30 June 2009 and 2008 is as follows:

	Revenue		Contribution to profit/ (loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Trading and manufacturing	608,997	679,097	(1,458)	(25,702)
Property investment and development	24,229	26,073	46,753	72,942
Agriculture and woods	1,788	1,447	(6,394)	(4,791)
Investment holding	—	—	(29,000)	149,807
	<u>635,014</u>	<u>706,617</u>	<u>9,901</u>	<u>192,256</u>
By geographical location [#] :				
The People's Republic of China (the "PRC")				
including Hong Kong and Macau	89,737	112,268	12,810	215,635
United States of America	376,036	375,247	1,183	(5,311)
Europe	87,992	135,234	(3,221)	(12,123)
Japan	3,301	4,949	(201)	(491)
Others	77,948	78,919	(670)	(5,454)
	<u>635,014</u>	<u>706,617</u>	<u>9,901</u>	<u>192,256</u>

[#] Revenue by geographical location is determined on the basis of the location where merchandise is delivered and/or service is rendered.

3. Gain/(loss) on disposal of assets and investments

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Gain on disposal of items of property, plant and equipment	286	–
Gain/(loss) on disposal of financial assets at fair value through profit or loss	594	(2,264)
Gain on disposal of investment properties	4,372	–
Gain on disposal of subsidiaries	–	996
	<u>5,252</u>	<u>(1,268)</u>

4. Changes in fair value of assets

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Fair value gain/(loss) on financial assets at fair value through profit or loss	1,909	(17,145)
Fair value gain on investment properties	44,500	66,640
	<u>46,409</u>	<u>49,495</u>

5. Depreciation

Profit from operations for the period is arrived at after charging depreciation of approximately HK\$19,577,000 (six months ended 30 June 2008: HK\$22,585,000) in respect of the Group's property, plant and equipment.

6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profit at rates of taxation prevailing in the countries in which the Group operates.

7. Interim dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

8. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$24,231,000 (six months ended 30 June 2008: approximately HK\$230,239,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

	2009 Unaudited	2008 Unaudited
<u>Number of shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,652,173,212	2,651,926,398
Effect on dilution – weighted average number of ordinary shares:		
Warrants	<u>74,062,991</u>	<u>171,833,483</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u><u>2,726,236,203</u></u>	<u><u>2,823,759,881</u></u>

The Company's share options have no dilutive effect for the six months ended 30 June in both 2008 and 2009 as the exercise price of the Company's share option was higher than the average market price of the shares in both periods.

9. Investment properties and Properties held for sale

During the period, certain investment properties in Hong Kong were reclassified from Investment Properties to Properties held for Sale to signify the intention of the said properties being held for sale.

10. Interests in associates

The amount includes interest in a principal associate indirectly held by the Company. Details about the associate are as follows:

Name of associate	Proportion of issued capital held indirectly by the Company	Advances from the Group as at 30 June 2009 HK\$'000	Guarantees given by the Group HK\$'000
Firm Wise Investment Limited ("FWIL") (Note)	30%	39	396,000

Note: The advances are unsecured, interest bearing at 0.5% per annum, repayable on demand and subordinated to the bank loans of the associate. The guarantees given were to secure banking facilities granted to FWIL, of which approximately HK\$369,900,000 were utilized as at 30 June 2009. The banking facilities are due to be mature in November 2012. The advances to FWIL and guarantees given were used on refinancing an investment property, The Centrium, which is a Grade-A commercial building located in Central, Hong Kong.

The following details have been extracted from the unaudited financial statements of the Group's significant associate, FWIL:

	As at 30 June 2009 HK\$'000
Assets	<u><u>2,462,272</u></u>
Liabilities	<u><u>1,510,140</u></u>

11. Other non-current assets

During the period, the Group has won the bid for a property development project at Dadong District in Shenyang, the PRC, by way of public tender. Approximately HK\$137.7 million was injected into the relevant project company for payment of deposit for the land use right. This property development project is held by a wholly owned subsidiary of South China Land Limited 南華置地有限公司. Please also refer to the section of **POST BALANCE SHEET EVENTS** regarding South China Land Limited 南華置地有限公司.

12. Trade receivables

Trade receivables of approximately HK\$194,896,000 (31 December 2008: HK\$171,092,000), substantially with an aging within 6 months, are stated net of provision for impairment.

Impairment is recognised when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables.

The Group's trading terms with its customers are on credit with credit periods ranging from period of one to three months depending on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by senior management.

13. Trade payables

Trade payables of approximately HK\$246,379,000 (31 December 2008: HK\$268,108,000) are substantially with an aging within 6 months.

14. Promissory notes

The promissory notes are unsecured, bear interest at 2% per annum and are wholly repayable on 17 June 2010 and 8 July 2010. They were transferred from non-current liabilities to current liabilities as at 30 June 2009.

On 16 July 2009, the noteholders exercised certain warrants of the Company held by them. Subscription money payable upon the exercise of the said warrants, totalling HK\$98,121,000, was satisfied by off-setting the promissory notes' principal sum of HK\$97,079,000 in aggregate together with interest accrued thereon to the extent of HK\$1,042,000. As a result, the promissory notes due to the noteholders were essentially capitalised to the Company's equity. Please refer to the section of **POST BALANCE SHEET EVENTS** for details.

15. Excess over the cost of business combinations

In January 2008, the Group acquired the controlling stake in certain associates of the Group at a total cash consideration of RMB55.8 million. The Group recognised a gain of HK\$215.1 million on acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK\$635.0 million and profit of HK\$11.5 million for the six months ended 30 June 2009. Comparing to the corresponding period in 2008, revenue decreased by 10%. The current period profit would represent an 88% increase over the corresponding results last year if excluding the item of *Excess over the cost of business combinations* of HK\$215.1 million derived from the merger and acquisition transactions in early 2008.

Trading and Manufacturing

The segment recorded a 10% reduction in revenue to HK\$609.0 million but a substantial decrease in loss from HK\$25.7 million last year to HK\$1.5 million in the first six months of 2009.

The overseas market demand was still slow in the first half of this year which led to the decline in the overall revenue from our manufacturing businesses. Wah Shing Toys on the contrary managed to increase its revenue by 9.5% as a result of its management's effort in expanding the customer portfolio in late 2008 and securing new customer orders with reasonable gross profit margin. In the same period in 2008, we were very conservative in accepting orders due to the escalating material and labour costs adversely affecting the profit margin. The elimination and weakening of many other toy manufacturers in the past few years gave Wah Shing Toys a much better and greater competitive edge in the market due to our well established and sizable production scale and fundamental strengths. Moreover, a series of stringent measures in overhead and material cost control has improved the operating result significantly compared to the corresponding period.

Both our shoe and electronic manufacturing operations experienced higher drop in revenue, partly because of the traditionally low season in the first half-year and partly due to the slumping demand from the US consumer market. Despite the overall decrease in revenue, profit margins improved satisfactorily across our manufacturing operations which was accounted for the lower raw material prices driven down by the oil prices during the period.

Property Investment and Development

Investment properties

Revenue for the period decreased slightly by 7% to HK\$24.2 million from our investment properties. While the rental income from the local properties was stable during the period, some tenancies of our investment properties in the PRC were vacant and in the transit of replacing new tenants. This was particular the case for the properties that the Group consolidated the rental income from those subsidiaries in Nanjing after increasing the controlling stake early last year. Higher administrative costs of restructuring the tenant mix and the carrying forward labour cost and related statutory labour benefits attributable from the PRC subsidiaries dragged down the overall profit margin of our investment property portfolio. The property segment reported a profit of HK\$9.3 million, and recognised a gain on disposal of investment properties of HK\$4.4 million and a fair value gain of HK\$44.5 million during the period.

Our share of the operating result from the Group's 30%-owned principal associate that holds the Grade-A commercial building in Central, The Centrium, for the first half year increased by 33% from HK\$11.3 million in 2008 to HK\$15.0 million in 2009. The improved result was accounted for by a moderate increase in the rental income and to a larger extent the decrease in finance cost during the period. There was no material fair value gain on the property held as compared to the corresponding period. This led to the total amount of profit from the associate fell substantially in the current period (2008: a fair value gain of HK\$46.7 million, net of deferred tax liability).

Development properties

The Group's property development projects are mainly in China and held under South China Land Limited 南華置地有限公司 ("SCL"), a subsidiary listed on the GEM Board of the Hong Kong Stock Exchange (stock code: 8155). The Group consolidated a loss from operations of HK\$11.4 million from SCL for the six months ended 30 June 2009 (2008: loss of HK\$3.7 million). The operating loss increased during the period was due to the rise in selling expense for establishing the sales office and the launch of the promotional campaign of the shopping complex, named *Fortuna Plaza* in Shenyang, the PRC.

In August 2009, the Company distributed its entire interest in SCL by way of distribution in specie of all the shares held in SCL. Please refer to the section of **POST BALANCE SHEET EVENTS** regarding SCL.

Agriculture and Woods

The agricultural business units reported an operating loss of HK\$6.4 million for the period under review. If excluding the exchange gain of HK\$1.4 million recorded in 2008 interim, the operating loss was approximately the same as the last corresponding period. The agricultural operations in fish and crab rearing in Jiangsu, pig rearing in Cangzhou, lychee plants in Guangzhou and winter-dates plants in Hebei are all still largely at investment stage. Revenue increased slightly to HK\$1.8 million as the pig rearing operation started to yield returns in the first half of this year. Substantial part of the operating expenses for the period was payment for land leases and management cost involved in land acquisitions in Chongqing.

During the period, the Group continued to expand its forestry acreage in the cities of Chongqing (重慶), Wuhan (武漢), Xianyang (咸陽) and Tangshan (唐山).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had a current ratio of 1.1 and a gearing ratio of 12.9% (31 December 2008: 1.2 and 14.8% respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK\$246.9 million to the Group's equity of HK\$1,912.5 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2009, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

There was no material change in the Group's capital structure as compared to the most recently published annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2009, the Group did not have any material acquisition and disposal.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

During the period, the Group pledged an investment property of a subsidiary with carrying value of HK\$56.5 million to secure a new banking facility granted.

Save for the above, there was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recently published annual report.

POST BALANCE SHEET EVENTS

South China Land Limited 南華置地有限公司 (“SCL”)

On 3 July 2009, the Company announced its intention to exercise the conversion right embedded in the convertible notes issued by SCL, a subsidiary of the Company engaged in the business of property development and magazines publication. As disclosed in the circular of the Company dated 23 July 2009, subject to shareholders’ approval, 10,666,666,666 shares of SCL will be allotted on full conversion of the convertible notes and the shares of SCL so allotted will be distributed to the Company’s shareholders. Subject to all the approvals of the above distribution being obtained, the Company had agreed, at the request of SCL, to make a contribution in an amount of HK\$280 million to SCL, including a capitalization of the shareholder’s loan at the date of the above distribution. Details of such transactions are set out in the abovementioned circular.

The above distribution and contribution were approved by the shareholders at an extraordinary general meeting held on 10 August 2009. The above conversion was executed on 18 August 2009. Simultaneously, the above distribution was effected on the same day.

After the completion of the above transaction, the Company ceased to hold any share in SCL and hence SCL was no longer a subsidiary of the Company since then. Accordingly, the Company ceased to consolidate SCL and its subsidiaries in the Company’s consolidated financial statements from then on. This will be reflected on the Company’s annual report this year.

Promissory Notes

On 16 July 2009, the noteholders exercised certain warrants of the Company held by them. Subscription money payable upon the exercise of the said warrants, totalling HK\$98,121,000, was satisfied by off-setting the promissory notes’ principal sum of HK\$97,079,000 in aggregate together with interest accrued thereon to the extent of HK\$1,042,000. The warrants carried subscription rights entitling the holders to subscribe for fully paid shares of the Company at subscription price of HK\$0.40 per share. A total of 245,302,933 shares of the Company were issued to the noteholders on exercise of their warrants held. Please refer to the Company’s announcement dated 16 July 2009.

As a result, the promissory notes due to the noteholders were essentially capitalised to the Company’s equity. The Company increased its issued capital of approximately HK\$4,906,000 and share premium of approximately HK\$93,215,000. This will be reflected on the Company’s annual report this year.

EMPLOYEES

As at 30 June 2009, the total number of employees of the Group was approximately 23,600. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. There is no material change in the information as compared to the most recently published annual report.

PROSPECTS

Trading and Manufacturing

The spending sentiment in the US market is picking up slowly in the second half of the year which will help the exports sales of the Group’s trading and manufacturing operations in 2009. For the rest of the year, Wah Shing Toys will focus on improving the profit margin by strengthening its production efficiency and logistics planning. We are optimistic about keeping the momentum of its sales growth in the foreseeable future.

Likewise for our shoe and electronic manufacturing operations, we are positive that they are going to achieve satisfactory profits again this year. We are now in the process of planning their potential listing in Hong Kong in the coming future.

Property Investment and Development

We are focusing more efforts in improving the rental return from our Nanjing property portfolio. We expect to further increase its rental contribution to the Group in the coming years. We intend to sell some of our investment properties in Hong Kong to spare more resources for developing our property portfolio in the China market.

The Central Government's macro-economic policies to stimulate stronger domestic consumption will, we believe, spike demand for quality space in prime shopping areas which will in turn benefit our Group where our mainland properties are mostly located. We maintain our optimistic view on the China property market in the long run.

Agriculture and Woods

In Chongqing, the master planning of the development of an agricultural, tourism and property related project was completed and submitted to the Chongqing Nanchuan Municipal Government (重慶市南川區人民政府) for approval. A Dagan Modern Agricultural Park (農業大觀園) covering 20,000 mu or 13.33 million square meters will be constructed in the region. It is a designated region set by the local government covering Da Guan Town, Nanchuan District, Chongqing City (重慶市南川區大觀鎮), Xing Long Town (興隆鎮) and Pi Ling Xia Jian Kou reservoir (毗鄰下澗口水庫) for improving the well-being of the rural population by linking agriculture with tourism, education and leisure. The project includes development and construction of new and modern agricultural estates, agricultural related tourism centre, country parks, agricultural related residential districts for leisure and hot springs holiday resorts, etc.

We will continue to expand our current portfolio of farmlands and woodlands. Greater government subsidies for agriculture and forestry business in China are favourable to us. It is expected that our agricultural operations will bring new business opportunities to the Group on the back of the current Central Government's policies to transform the massive rural area to be more commercially productive.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009. (six months ended 30 June 2008: Nil).

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 2009, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(A) The Company

(i) Long position in shares

Name of Director	Capacity and number of shares		Total number of ordinary shares	Approximate percentage of shareholding
	Beneficial owner	Interest of controlled corporations		
Ng Hung Sang ("Mr. Ng")	75,951,332	1,399,282,724	1,475,234,056 (Note a)	55.60%

(ii) *Long positions in underlying shares*

a) **Warrants**

Name of Director	Capacity and number of shares		Total number of underlying shares	Approximate percentage of shareholding
	Beneficial owner	Interest of controlled corporations		
Mr. Ng	15,046,962	280,958,297	296,005,259 (Note b)	11.16%

b) **Share options**

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	26,000,000 (Note c)	0.98%
Ng Yuk Fung, Peter	Beneficial owner	26,000,000 (Note c)	0.98%

(B) **Associated corporations**

(i) *Long positions in shares*

(i) **SCL**

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	353,914,203 (Note d)	69.87%

(ii) **Prime Prospects Limited ("Prime Prospects") (Note e)**

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporation	30	30%

(ii) *Long positions in underlying shares*

SCL

(a) **Convertible Notes**

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporation	10,666,666,666 (Note f)	2,105.96%

(b) **Share options**

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Ng Yuk Fung, Peter	Beneficial owner	5,000,000 (Note g)	0.99%

Notes:

- (a) The 1,399,282,724 shares of the Company held by Mr. Ng through controlled corporations include 419,813,267 shares held by Fung Shing Group Limited ("Fung Shing"), 394,175,840 shares held by Parkfield Holdings Limited ("Parkfield"), 265,685,184 shares held by Earntade Investments Limited ("Earntade"), 251,541,561 shares held by Bannock Investment Limited ("Bannock"), 17,665,536 shares held by Ronastar Investments Limited ("Ronastar") and 50,401,336 shares held by Worldunity Investments Limited ("Worldunity"). Parkfield, Fung Shing and Ronastar are all wholly owned by Mr. Ng. Mr. Ng holds Worldunity indirectly via South China Holdings Limited, which is owned as to 73.72% by Mr. Ng, while Bannock is a wholly-owned subsidiary of Earntade which is owned as to 60% by Mr. Ng, 20% by Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung. As such, Mr. Ng was deemed to have interest in the 50,401,336 shares held by Worldunity and the 517,226,745 shares held by Bannock and Earntade. The Company held approximately 69.87% interest indirectly in SCL.
- (b) The 280,958,297 warrants of the Company held by Mr. Ng through controlled corporations include 83,170,552 warrants held by Fung Shing, 78,091,440 warrants held by Parkfield, 52,635,744 warrants held by Earntade, 49,833,705 warrants held by Bannock, 3,499,776 warrants held by Ronastar and 13,727,080 warrants held by Worldunity. Parkfield, Fung Shing and Ronastar are all wholly owned by Mr. Ng. By virtue of note (a) above, Mr. Ng was deemed to have interest in the 13,727,080 warrants held by Worldunity and the 102,469,449 warrants held by Bannock and Earntade.
- (c) These share options were granted on 18 September 2007 at the exercise price of HK\$1.50 per share of the Company with exercise periods as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant.
- (d) By virtue of note (a) above, Mr. Ng was deemed to have interest in those shares of SCL held by a wholly-owned subsidiary of the Company.
- (e) Prime Prospects was a 70% owned subsidiary of the Company.
- (f) Two convertible notes were issued to a wholly-owned subsidiary of the Company by SCL with the rights to convert into 5,440,000,000 and 5,226,666,666 underlying shares of SCL respectively at a conversion price of HK\$0.075 per share. By virtue of note (a) above, Mr. Ng was deemed to have interest in those underlying shares in SCL.

- (g) These share options were granted on 14 March 2007 at the exercise price of HK\$0.2166 per share of SCL and with exercise periods as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant.

Save as disclosed above, none of the Directors or chief executives of the Company as at 30 June 2009 had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the following persons, other than the Directors and chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long position in shares

Name of shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding	Number of underlying shares (note a)	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of controlled corporation	517,226,745 (note b)	19.49%	102,469,449 (note b)	3.86%
Bannock	Beneficial owner	251,541,561 (note b)	9.48%	49,833,705 (note b)	1.88%
Parkfield	Beneficial owner	394,175,840	14.85%	78,091,440	2.94%
Fung Shing	Beneficial owner	419,813,267	15.82%	83,170,552	3.13%

Notes:

- (a) These are warrants of the Company which entitle the holders thereof to subscribe at any time during the period from 7 September 2007 to 6 September 2010 (both days inclusive) for fully paid shares at an initial subscription price of HK\$0.40 per share (subject to adjustment).
- (b) Bannock is a wholly-owned subsidiary of Earntrade. The 517,226,745 shares and the 102,469,449 warrants of the Company held by Earntrade include 251,541,561 shares and 49,833,705 warrants held by Bannock directly.

Save as disclosed above, as at 30 June 2009, no person, other than the Directors or chief executives of the Company whose interests are set out in the section "Directors' and Chief Executives' interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" had registered any interests or short positions in the shares or underlying shares of the Company that was required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

Scheme of the Company

The Company's existing share option scheme was adopted on 31 May 2002 and became effective 28 June 2002. Particulars and movements of the outstanding share options granted under the share option scheme during the six months ended 30 June 2009 were as follows:

Name or category of participant	Date of grant of share options	Number of outstanding share options			Exercise period of share options	Exercise price per share HK\$
		As at 1 January 2009	Lapsed during the year	As at 30 June 2009		
Directors						
Ms. Cheung	18/09/2007	26,000,000	–	26,000,000	18/09/2008 – 17/09/2017	1.500
Ng Yuk Fung, Peter	18/09/2007	26,000,000	–	26,000,000	18/09/2008 – 17/09/2017	1.500
Sub-total		52,000,000	–	52,000,000		
Consultant						
In aggregate	18/09/2007	4,200,000	–	4,200,000	18/09/2008 – 17/09/2017	1.500
Sub-total		4,200,000	–	4,200,000		
Employees						
In aggregate	18/09/2007	35,000,000	1,000,000	34,000,000	18/09/2008 – 17/09/2017	1.500
	25/09/2007	10,600,000	–	10,600,000	25/09/2008 – 24/09/2017	1.500
Sub-total		45,600,000	1,000,000	44,600,000		
Total		101,800,000	1,000,000	100,800,000		

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 12 months	Nil
13th – 120th month	not more than 33 ¹ / ₃ %
25th – 120th month	not more than 66 ² / ₃ %
37th – 120th month	100%

No share options have been granted, exercised or cancelled during the six months ended 30 June 2009. The Company recognized a share option expense of HK\$4,199,000 (2008: HK\$2,297,000) during the six months ended 30 June 2009.

Scheme of SCL

SCL adopted a share option scheme on 24 June 2002 and became effective on 18 July 2002. Particulars and movements of the outstanding share options granted under the share option scheme of SCL during the six months ended 30 June 2009 were as follows:

Name or category of participant	Date of grant of share options	Number of outstanding share options		Exercise period of share options	Exercise price per share HK\$
		As at 1 January 2009	As at 30 June 2009		
Director					
Ng Yuk Fung, Peter	14/03/2007	5,000,000	5,000,000	14/03/2008 – 13/03/2012	0.2166
Sub-total		5,000,000	5,000,000		
Employees					
In aggregate	14/03/2007	6,000,000	6,000,000	14/03/2008 – 13/03/2012	0.2166
	02/04/2007	3,000,000	3,000,000	02/04/2008 – 01/04/2012	0.3150
	10/05/2007	2,000,000	2,000,000	10/05/2008 – 09/05/2012	0.3100
Sub-total		11,000,000	11,000,000		
Total		16,000,000	16,000,000		

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 12 months	Nil
13th – 36th month	33 ¹ / ₃ %
25th – 48th month	33 ¹ / ₃ %
37th – 60th month	33 ¹ / ₃ %

No share options have been granted, exercised or cancelled during the six months ended 30 June 2009. SCL recognized a share option expense of HK\$292,000 (2008: HK\$861,000) during the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Ms. Li Yuen Yu, Alice (Committee Chairman), Mr. Chiu Sin Chun and Mrs. Tse Wong Siu Yin, Elizabeth.

The Group's unaudited results for the six months ended 30 June 2009 have been reviewed by the audit committee.

By order of the Board
South China (China) Limited
Ng Hung Sang
Chairman

Hong Kong, 22 September 2009

As at the date of this report, the Board comprises (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, and Mr. Ng Yuk Fung, Peter as executive directors; (2) Ms. Ng Yuk Mui, Jessica as non-executive director and (3) Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth, and Ms. Li Yuen Yu, Alice as independent non-executive directors.