



SOUTH CHINA (CHINA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the “Board”) of South China (China) Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2013	2012
		Unaudited	Unaudited and
	<i>Notes</i>	HK\$'000	Restated
			HK\$'000
Revenue	2	975,355	870,706
Cost of sales		(884,308)	(766,578)
Gross profit		91,047	104,128
Other income and gain, net		20,850	14,632
Selling and distribution costs		(23,513)	(16,823)
Administrative and operating expenses		(177,481)	(167,830)
Equity-settled share award expense		(1,513)	(1,278)
Loss on disposal of assets and investments, net	3	(2,935)	(64)
Changes in fair value of assets	4	144,333	93,984
Profit from operations	2&5	50,788	26,749
Finance costs		(25,903)	(40,904)
Impairment of advances to an associate		(36)	(26)
Share of profits and losses of associates		239,288	146,181
Profit before tax		264,137	132,000
Income tax expense	6	(15,348)	(13,072)
Profit for the period		248,789	118,928
Attributable to:			
Owners of the Company		246,313	116,245
Non-controlling interests		2,476	2,683
		248,789	118,928
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic		HK8.4 cents	HK3.9 cents
Diluted		HK5.5 cents	HK3.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited and
	HK\$'000	Restated
		HK\$'000
Profit for the period	248,789	118,928
Other comprehensive income/(loss) for the period:		
<i>Items that may be reclassified subsequently to profit or loss:–</i>		
Reclassification adjustment for available-for-sale financial assets revaluation reserve realised upon disposal of available-for-sale financial assets	(356)	–
Exchange differences on translation of foreign operations	83,296	(17,982)
Other comprehensive income for the period, net of tax	82,940	(17,982)
Total comprehensive income for the period	331,729	100,946
Attributable to:		
Owners of the Company	315,517	101,932
Non-controlling interests	16,212	(986)
	331,729	100,946

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2013 Unaudited Notes HK\$'000	31 December 2012 Restated HK\$'000	1 January 2012 Restated HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment		234,072	225,121	218,893
Investment properties		1,838,535	1,726,378	1,648,393
Investment property under construction		3,124,447	3,019,473	2,975,087
Prepaid land lease payments		97,486	87,829	90,000
Construction in progress		121,272	116,326	84,711
Investments in associates	9	1,350,931	1,124,854	892,232
Biological assets		151,934	137,784	155,625
Available-for-sale financial assets		56,862	57,381	45,987
Other non-current assets		16,283	16,666	16,666
Trade receivable, prepayments and deposits		37,294	18,777	30,119
Goodwill		3,197	3,152	3,152
Total non-current assets		7,032,313	6,533,741	6,160,865
CURRENT ASSETS				
Inventories		566,743	341,396	346,537
Trade receivables	10	354,410	185,958	252,657
Prepayments, deposits and other receivables		140,140	316,573	223,888
Financial assets at fair value through profit or loss		61,280	39,553	26,885
Due from non-controlling shareholders of subsidiaries		35,641	35,218	35,428
Due from an affiliate		78,000	78,000	78,000
Tax recoverable		27,736	20,222	14,530
Cash and bank balances		292,885	255,837	430,272
		1,556,835	1,272,757	1,408,197
Non-current assets classified as held for sale		545,752	497,424	331,990
Total current assets		2,102,587	1,770,181	1,740,187
CURRENT LIABILITIES				
Trade and bills payables	11	469,751	282,235	431,902
Other payables and accruals		380,273	357,041	367,886
Interest-bearing bank and other borrowings		1,027,532	1,046,148	750,114
Due to a non-controlling shareholder of subsidiaries		22,686	21,390	21,390
Tax payable		32,747	35,462	40,860
Total current liabilities		1,932,989	1,742,276	1,612,152
NET CURRENT ASSETS		169,598	27,905	128,035
TOTAL ASSETS LESS CURRENT LIABILITIES		7,201,911	6,561,646	6,288,900

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		30 June 2013 Unaudited <i>Notes</i> HK\$'000	31 December 2012 Restated <i>HK\$'000</i>	1 January 2012 Restated <i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		1,485,861	748,791	649,281
Advances from non-controlling shareholders of subsidiaries		32,648	31,851	31,851
Due to an associate		117,742	116,579	140,724
Other non-current liabilities		91,568	89,628	90,410
Deemed consideration for acquisition of subsidiaries under merger accounting		—	1,339,867	1,589,305
Deferred tax liabilities		798,341	766,985	737,960
Total non-current liabilities		2,526,160	3,093,701	3,239,531
Net assets		4,675,751	3,467,945	3,049,369
EQUITY				
Equity attributable to owners of the Company				
Issued capital	12	90,440	59,773	59,773
Reserves		4,103,343	2,942,416	2,534,868
		4,193,783	3,002,189	2,594,641
Non-controlling interests		481,968	465,756	454,728
Total equity		4,675,751	3,467,945	3,049,369

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital and share premium Unaudited HK\$'000	Shares held for share award scheme Unaudited HK\$'000	Other reserves Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Attributable to owners of the Company Unaudited HK\$'000	Non- controlling interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 January 2013							
As previously reported	66,497	(22,650)	351,223	2,604,754	2,999,824	124,925	3,124,749
Adjusted for common control combination	<u>–</u>	<u>–</u>	<u>(1,008,367)</u>	<u>1,010,732</u>	<u>2,365</u>	<u>340,831</u>	<u>343,196</u>
As restated	66,497	(22,650)	(657,144)	3,615,486	3,002,189	465,756	3,467,945
Issuance of redeemable convertible preference shares	1,009,305	–	–	–	1,009,305	–	1,009,305
Redemption of redeemable convertible preference shares	(135,300)	–	–	–	(135,300)	–	(135,300)
Increase in loans from the vendor in the common control combination subject to waiver	–	–	4,001	–	4,001	–	4,001
Recognition of equity-settled share-based compensation: share award	–	–	646	–	646	–	646
Vesting of shares awarded under share award scheme	–	690	(690)	–	–	–	–
Shares purchased for share award scheme	–	(2,575)	–	–	(2,575)	–	(2,575)
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>69,204</u>	<u>246,313</u>	<u>315,517</u>	<u>16,212</u>	<u>331,729</u>
At 30 June 2013	<u>940,502</u>	<u>(24,535)</u>	<u>(583,983)</u>	<u>3,861,799</u>	<u>4,193,783</u>	<u>481,968</u>	<u>4,675,751</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Issued capital and share premium Unaudited HK\$'000	Shares held for share award scheme Unaudited HK\$'000	Other reserves Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Attributable to owners of the Company Unaudited HK\$'000	Non- controlling interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 January 2012							
As previously reported	66,497	(10,751)	344,033	2,283,364	2,683,143	117,567	2,800,710
Adjusted for common control combination	<u>–</u>	<u>–</u>	<u>(1,083,732)</u>	<u>995,230</u>	<u>(88,502)</u>	<u>337,161</u>	<u>248,659</u>
As restated	66,497	(10,751)	(739,699)	3,278,594	2,594,641	454,728	3,049,369
Increase in loans from the vendor in the common control combination subject to waiver (restated)	–	–	25,835	–	25,835	–	25,835
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	245	245
Recognition of equity-settled share-based compensation: share award	–	–	773	–	773	–	773
Shares purchased for share award scheme	–	(4,164)	–	–	(4,164)	–	(4,164)
Total comprehensive income for the period (restated)	<u>–</u>	<u>–</u>	<u>(14,313)</u>	<u>116,245</u>	<u>101,932</u>	<u>(986)</u>	<u>100,946</u>
At 30 June 2012	<u>66,497</u>	<u>(14,915)</u>	<u>(727,404)</u>	<u>3,394,839</u>	<u>2,719,017</u>	<u>453,987</u>	<u>3,173,004</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	and Restated
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(57,957)	(364,460)
Net cash outflow from investing activities	(392,674)	(52,652)
Net cash inflow from financing activities	469,408	422,565
	<hr/>	<hr/>
Net increase in cash and cash equivalents	18,777	5,453
Cash and cash equivalents at beginning of the period	241,715	429,562
Effect of foreign exchange rate changes, net	2,315	(24)
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Cash and cash equivalents at end of the period	262,807	434,991
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Analysis of balances of cash and cash equivalents		
Cash and bank balances	292,885	446,598
Bank overdrafts	(30,078)	(11,607)
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	262,807	434,991
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. Basis of preparation

The unaudited condensed consolidated 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 (“HKICPA”).

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 2012 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 2013, as disclosed in the annual financial statements for the year ended 31 December 2012. The adoption of these new or revised 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 2012 annual financial statements of the Group.

1.1 Changes in accounting policies

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, for the first time for the interim financial statements for the six months ended 30 June 2013. Such HKFRSs have become effective for the annual periods beginning on or after 1 January 2013, and include:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the above new and revised HKFRSs has had no significant impact on the accounting policies of the Group, the methods of computation used in the preparation of the Group’s interim financial statements and the Group’s results of operations and financial position. However, the adoption of HKAS 1 Amendments has resulted in a modification of the presentation of the condensed consolidated statement of comprehensive income.

The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (i) items that will not be reclassified to profit or loss and (ii) items that may be reclassified subsequently to profit or loss when specific conditions are met. The adoption of amendments to HKAS 1 does not result in a change in the Group’s accounting policy. The Group has modified the presentation of other comprehensive income in these condensed consolidated financial statements accordingly.

1. Basis of preparation (Continued)

1.2 Common control combination

On 17 January 2013, the Company announced that the acquisition of the entire issued share capital of Splendor Sheen Limited (“Splendor Sheen”) from a direct wholly-owned subsidiary of South China Land Limited (“SCL”) (the “Vendor”) by an indirect wholly-owned subsidiary of the Company (the “Acquisition”) was completed on 16 January 2013. The principal asset of Splendor Sheen is its interests in the shopping mall operations in Shenyang held by one of its subsidiaries. SCL and the Company are ultimately controlled by the substantial shareholder of the Company. Details of the Acquisition were disclosed in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012, respectively.

As the Company and the Vendor are ultimately controlled by the aforesaid substantial shareholder, who is also a director of the Company, the Acquisition was regarded as business combination under common control. To consistently apply the Group’s accounting policy for common control combination, the Acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* (“AG 5”) issued by the HKICPA as if the Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combination are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of Splendor Sheen and its subsidiaries (collectively the “Splendor Sheen Group”). The effect of the Acquisition on and, hence, the items so restated in the comparative financial statements are summarised in the tables below:

1. Basis of preparation (Continued)

1.2 Common control combination (Continued)

(a) Effect of the Acquisition on the consolidated statement of financial position as at 1 January 2012

	As previously reported HK\$'000	Splendor Sheen Group HK\$'000	Consolidation adjustments HK\$'000	As restated HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	214,017	4,876	–	218,893
Investment property under construction	–	2,975,087	–	2,975,087
Others^	2,966,885	–	–	2,966,885
Total non-current assets	3,180,902	2,979,963	–	6,160,865
CURRENT ASSETS				
Trade receivables	252,562	95	–	252,657
Prepayments, deposits and other receivables	210,670	13,218	–	223,888
Due from non-controlling shareholders of subsidiaries	245	35,183	–	35,428
Due from an affiliate	78,000	12,381	(12,381)	78,000
Cash and bank balances	427,980	2,292	–	430,272
Others^	719,942	–	–	719,942
Total current assets	1,689,399	63,169	(12,381)	1,740,187
CURRENT LIABILITIES				
Trade and bills payables	354,371	77,531	–	431,902
Other payables and accruals	339,242	28,644	–	367,886
Interest-bearing bank and other borrowings	737,795	12,319	–	750,114
Due to affiliates	–	408,479	(408,479)	–
Others^	62,250	–	–	62,250
Total current liabilities	1,493,658	526,973	(408,479)	1,612,152
NET CURRENT ASSETS/ (LIABILITIES)	195,741	(463,804)	396,098	128,035
TOTAL ASSETS LESS CURRENT LIABILITIES	3,376,643	2,516,159	396,098	6,288,900
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	68,468	580,813	–	649,281
Deemed consideration for acquisition of subsidiaries under merger accounting	–	–	1,589,305	1,589,305
Deferred tax liabilities	244,480	493,480	–	737,960
Others^	262,985	–	–	262,985
Total non-current liabilities	575,933	1,074,293	1,589,305	3,239,531
Net assets	<u>2,800,710</u>	<u>1,441,866</u>	<u>(1,193,207)</u>	<u>3,049,369</u>
EQUITY				
Exchange fluctuation reserve	166,489	109,475	–	275,964
Retained profits	2,283,364	995,230	–	3,278,594
Merger reserve	(13,725)	–	(1,193,207)	(1,206,932)
Non-controlling interests	117,567	337,161	–	454,728
Others^	247,015	–	–	247,015
Total equity	<u>2,800,710</u>	<u>1,441,866</u>	<u>(1,193,207)</u>	<u>3,049,369</u>

1. Basis of preparation (Continued)

1.2 Common control combination (Continued)

(b) Effect of the Acquisition on the consolidated statement of financial position as at 31 December 2012

	As previously reported HK\$'000	Splendor Sheen Group HK\$'000	Consolidation adjustments HK\$'000	As restated HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	222,630	2,491	–	225,121
Investment property under construction	–	3,019,473	–	3,019,473
Trade receivable, prepayments and deposits	268,215	–	(249,438)	18,777
Others [^]	3,270,370	–	–	3,270,370
Total non-current assets	3,761,215	3,021,964	(249,438)	6,533,741
CURRENT ASSETS				
Prepayments, deposits and other receivables	305,067	11,506	–	316,573
Due from non-controlling shareholders of subsidiaries	399	34,819	–	35,218
Cash and bank balances	253,874	1,963	–	255,837
Others [^]	1,162,553	–	–	1,162,553
Total current assets	1,721,893	48,288	–	1,770,181
CURRENT LIABILITIES				
Trade and bills payables	237,851	44,384	–	282,235
Other payables and accruals	349,214	7,827	–	357,041
Interest-bearing bank and other borrowings	1,015,337	30,811	–	1,046,148
Due to affiliates	–	470,765	(470,765)	–
Others [^]	56,852	–	–	56,852
Total current liabilities	1,659,254	553,787	(470,765)	1,742,276
NET CURRENT ASSETS/ (LIABILITIES)	62,639	(505,499)	470,765	27,905
TOTAL ASSETS LESS CURRENT LIABILITIES	3,823,854	2,516,465	221,327	6,561,646
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	198,532	550,259	–	748,791
Deemed consideration for acquisition of subsidiaries under merger accounting	–	–	1,339,867	1,339,867
Deferred tax liabilities	262,515	504,470	–	766,985
Others [^]	238,058	–	–	238,058
Total non-current liabilities	699,105	1,054,729	1,339,867	3,093,701
Net assets	3,124,749	1,461,736	(1,118,540)	3,467,945
EQUITY				
Exchange fluctuation reserve	164,186	110,173	–	274,359
Retained profits	2,604,754	1,010,732	–	3,615,486
Merger reserve	(13,725)	–	(1,118,540)	(1,132,265)
Non-controlling interests	124,925	340,831	–	465,756
Others [^]	244,609	–	–	244,609
Total equity	3,124,749	1,461,736	(1,118,540)	3,467,945

1. Basis of preparation (Continued)

1.2 Common control combination (Continued)

(c) Effect of the Acquisition on the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 30 June 2012

	As previously reported HK\$'000	Splendor Sheen Group HK\$'000	Consolidation adjustments HK\$'000	As restated HK\$'000
Condensed consolidated income statement				
Revenue	869,612	47,288	(46,194)	870,706
Cost of sales	(766,578)	—	—	(766,578)
Gross profit	103,034	47,288	(46,194)	104,128
Other income and gain, net	14,152	480	—	14,632
Selling and distribution costs	(15,996)	(827)	—	(16,823)
Administrative and operating expenses	(207,347)	(6,677)	46,194	(167,830)
Changes in fair value of assets	51,098	42,886	—	93,984
Others [^]	(1,342)	—	—	(1,342)
Profit/(loss) from operations	(56,401)	83,150	—	26,749
Finance costs	(17,678)	(23,226)	—	(40,904)
Others [^]	146,155	—	—	146,155
Profit before tax	72,076	59,924	—	132,000
Income tax expense	(2,351)	(10,721)	—	(13,072)
Profit for the period	<u>69,725</u>	<u>49,203</u>	<u>—</u>	<u>118,928</u>
Attributable to:				
Owners of the Company	76,818	39,427	—	116,245
Non-controlling interests	(7,093)	9,776	—	2,683
	<u>69,725</u>	<u>49,203</u>	<u>—</u>	<u>118,928</u>
Condensed consolidated statement of comprehensive income				
Profit for the period	69,725	49,203	—	118,928
Other comprehensive income/ (loss) for the period:				
<i>Items that may be reclassified subsequently to profit or loss:—</i>				
Exchange differences on translation of foreign operations	275	(18,257)	—	(17,982)
Total comprehensive income for the period	<u>70,000</u>	<u>30,946</u>	<u>—</u>	<u>100,946</u>
Attributable to:				
Owners of the Company	77,111	24,821	—	101,932
Non-controlling interests	(7,111)	6,125	—	(986)
	<u>70,000</u>	<u>30,946</u>	<u>—</u>	<u>100,946</u>

[^] Being aggregate of items not being affected by the common control combination and, hence, not being restated

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 2013 and 2012 is as follows:

	Revenue		Contribution to profit/ (loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	Unaudited and	Unaudited and	Unaudited and	Unaudited and
	Restated	Restated	Restated	Restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Trading and manufacturing	918,194	812,298	(33,496)	(22,974)
Property investment and development	48,804	49,678	141,814	110,862
Agriculture and forestry	8,357	8,730	(21,036)	(16,305)
Investment holding	—	—	(36,494)	(44,834)
	<u>975,355</u>	<u>870,706</u>	<u>50,788</u>	<u>26,749</u>

By geographical location*:

The People's Republic of China (the "PRC") including Hong Kong and Macau	116,227	140,636	89,812	56,658
United States of America	494,166	355,126	(20,930)	(16,964)
Europe	180,468	188,737	(10,160)	(7,708)
Japan	15,011	2,956	(392)	(329)
Others	169,483	183,251	(7,542)	(4,908)
	<u>975,355</u>	<u>870,706</u>	<u>50,788</u>	<u>26,749</u>

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

The following table presents the assets and liabilities information for the Group's business segments as at the reporting period end date:

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Restated HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Restated HK\$'000
Segment assets	1,490,536	1,094,315	5,735,774	5,631,078	272,155	240,786	257,768	192,667	7,756,233	7,158,846
Investments in associates	11,843	11,482	1,339,088	1,113,372	—	—	—	—	1,350,931	1,124,854
Tax recoverable									27,736	20,222
Total assets									9,134,900	8,303,922
Segment liabilities	1,560,169	1,152,763	1,922,796	2,382,923	13,320	11,653	131,776	486,191	3,628,061	4,033,530
Tax payable									32,747	35,462
Deferred tax liabilities									798,341	766,985
Total liabilities									4,459,149	4,835,977

3. Loss on disposal of assets and investments, net

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Gain on disposal of available-for-sale financial assets	2,343	–
Write-off of biological assets	(5,262)	–
Loss on disposal of items of property, plant and equipment	(16)	(64)
	<u>(2,935)</u>	<u>(64)</u>

4. Changes in fair value of assets

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	HK\$'000	and Restated
	HK\$'000	HK\$'000
Fair value gain on foreign exchange forward contracts	16,210	–
Fair value gain/(loss) on financial assets at fair value through profit or loss	3,256	(1,382)
Fair value gain on investment properties and investment property under construction	76,424	73,626
Fair value gain on investment properties presented as non-current assets classified as held for sale	48,443	21,740
	<u>144,333</u>	<u>93,984</u>

5. Depreciation and amortisation

Depreciation in respect of the Group's property, plant and equipment and amortisation in respect of the Group's prepaid land lease payments for the six months ended 30 June 2013 amount to approximately HK\$21,302,000 (six months ended 30 June 2012 (restated): HK\$19,599,000) and HK\$10,127,000 (six months ended 30 June 2012: HK\$1,933,000), respectively.

6. Tax

Income tax comprises current and deferred tax.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 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.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

7. Interim dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 owners of the Company of approximately HK\$246,313,000 (six months ended 30 June 2012 (restated): approximately HK\$116,245,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

	2013 Unaudited '000	2012 Unaudited '000
<u>Number of ordinary shares</u>		
Weighted average number of ordinary shares in issue less shares held for share award scheme during the period used in the basic earnings per share calculation	2,949,498	2,946,808
Effect of redeemable convertible preference shares	1,511,371	–
Effect of shares held for the share award scheme	39,139	–
	<hr/>	<hr/>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>4,500,008</u>	<u>2,946,808</u>

The Company's share options have no dilution effect for the six months ended 30 June in both 2013 and 2012 as the exercise price of the Company's share option was higher than the average market price of the shares in both periods.

9. Investments 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	Guarantee given by the Group HK\$'000
Firm Wise Investment Limited ("FWIL")	30%	579,600

The guarantee given was to secure banking facilities granted to FWIL of which approximately HK\$537,900,000 were utilized as at 30 June 2013. The banking facilities are due to be mature in November 2013. FWIL holds an investment property, The Centrium, which is a Grade-A commercial building located in Central, Hong Kong.

10. Trade receivables

Trade receivables of approximately HK\$354,410,000 as at 30 June 2013 (as at 31 December 2012: HK\$185,958,000), substantially with an age 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.

11. Trade payables

Trade payables of approximately HK\$469,751,000 as at 30 June 2013 (as at 31 December 2012 (restated): HK\$282,235,000) are substantially with an age within 6 months.

12. Share capital

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Authorised:		
Ordinary shares		
5,000,000,000 shares (2012: 5,000,000,000 shares) of HK\$0.02 each	<u>100,000</u>	<u>100,000</u>
Redeemable convertible preference shares		
2,000,000,000 shares (2012: 2,000,000,000 shares) of HK\$0.02 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid:		
Ordinary shares		
2,988,636,863 shares (2012: 2,988,636,863 shares) of HK\$0.02 each	59,773	59,773
Redeemable convertible preference shares		
1,770,710,526 shares (2012: nil) of HK\$0.02 each issued during the period	35,414	–
237,368,000 shares (2012: nil) of HK\$0.02 each redeemed during the period	<u>(4,747)</u>	<u>–</u>
	<u>30,667</u>	<u>–</u>
	<u>90,440</u>	<u>59,773</u>

	Issued ordinary shares HK\$'000	Issued redeemable convertible preference shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	59,773	–	6,724	66,497
Redeemable convertible preference shares issued during the period	–	35,414	973,891	1,009,305
Redeemable convertible preference shares redeemed during the period	<u>–</u>	<u>(4,747)</u>	<u>(130,553)</u>	<u>(135,300)</u>
At 30 June 2013	<u>59,773</u>	<u>30,667</u>	<u>850,062</u>	<u>940,502</u>

12. Share capital (Continued)

The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holder of the redeemable convertible preference shares shall be entitled to pro-rata share of dividend or distribution declared by the board of directors of the Company, at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meeting of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

13. Comparative amounts

Certain comparative amounts have been restated for the application of AG 5 and to conform with the presentation of the current period and the consolidated statement of financial position as at 1 January 2012 has been presented herein.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK\$975.4 million and profit of HK\$248.8 million for the six months ended 30 June 2013. Compared to the corresponding period in 2012, the revenue and profit increased by 12.0% and 109.2%, respectively.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises three principal business units, Wah Shing Toys, Wah Shing Electronics and South China Shoes. The segment recorded a 13.0% increase in revenue to HK\$918.2 million and a 45.8% increase in operating loss to HK\$33.5 million for the six months ended 30 June 2013.

The toys operations and the shoes operations reported an increase in revenue by 7.8% and 58.4%, respectively, in 2013 first half. This revealed a sign of economic recovery in the U.S. although the economy has been sluggish in prior years and the recovery process takes time. The increase in revenue of the toys operations in the current period mainly reflects the increase in revenue from new models. As compared with the corresponding period in prior year, South China Shoes recorded a considerable growth in revenue from a U.S. customer of branded work-boots, with whom we started the business in 2011 second half, in the current period.

Wah Shing Toys entered into a lease agreement in respect of a factory premise in Humen Town, Dongguan City in late 2012 and incurred setup, testing and trial run costs for this new production facility in the current period. The new production facility at Humen Town, which commenced operation in March 2013, was filled by the newly hired workers, and has not operated in its optimum capacity and efficiency at its start-up stage. The increase in number of new models in 2013 first half also lowered the production efficiency to some extent at the beginning of the product life spans. Besides, the increase in minimum wages squeezed the profit margin further. To cope with the persistent appreciation in Renminbi, which has put extra pressure on the operating results, Wah Shing Toys has entered into forward exchange contracts to mitigate its exposure in this respect. Given the above and the seasonality of the toy manufacturing business, Wah Shing Toys, which recorded a small operating profit in 2012 first half, recorded an operating loss of approximately HK\$8.6 million in the current period.

Despite that Wah Shing Electronics recorded a moderate decrease in revenue, it managed to contain the operating loss for 2013 first half at broadly the same level as that of the corresponding period in prior year.

The revenue growth of South China Shoes in 2013 first half came with an increase in the number of new models, which were not produced at the optimum efficiency in their initial production, in particular the branded products which carried higher quality and workmanship requirements. Notwithstanding the inefficiency in the initial production of the new models, South China Shoes recorded a 23.4% decrease in loss from operations in the current period as compared with the corresponding period in prior year.

Given the costs incurred in and the effort exerted on the new production facility and the new models in 2013 first half, the low season in the seasonality of the toy manufacturing business, which will facilitate the production in future, management expected that the segmental revenue and operating performance of the trading and manufacturing segment will improve when peak season comes in the second half.

Property Investment and Development

In 2013 first half, the property investment and development segment recorded a revenue of HK\$48.8 million, which is at a level similar to that of the corresponding period in 2012.

The fair value gain on investment properties and investment properties held for sale increased by 30.9% or HK\$29.5 million to HK\$124.9 million in aggregate, resulting in a 27.9% increase in operating profit after fair value gain to HK\$141.8 million as compared to the corresponding period in 2012.

On 16 January 2013, the Group acquired the entire issued share capital in Splendor Sheen Limited (“Splendor Sheen”), which holds 80% interests in the Avenue of Stars (previously known as Fortuna Plaza), a shopping mall in Shenyang. The construction work to prepare the newly acquired shopping mall for its intended use is underway. The Avenue of Stars will be positioned as a trendy shopping mall, targeting the youth market. It will be the first shopping mall so positioned in Shenyang.

The Group’s 30%-owned principal associate that holds The Centrium, a Grade-A commercial building in Central, Hong Kong, generated profit from operation before tax attributable to the Group of HK\$18.8 million, representing a decrease of HK\$1.5 million as compared with the corresponding period in prior year. The decrease in 2013 first half was mainly due to the increase in finance costs. The Group’s share of fair value gain on the investment property for the 6 months ended 30 June 2013 amounted to HK\$223.5 million.

Agriculture and Forestry

In line with the Group’s strategy to be one of the active market players in the Mainland’s agriculture and forestry industries, we continued our effort in expanding the sites areas of our farmland and woodland gradually. In the first half of 2013, the Group entered into new leases for approximately 76,000 mu of farmland and woodland in Harbin, Binzhou, Wuhan and Chongqing.

Revenue from the agriculture and forestry segment decreased by 4.3% to HK\$8.4 million in 2013 first half as compared with the corresponding period in 2012.

The agriculture and forestry segment recorded a loss of HK\$21.0 million in the first half of 2013 as compared with a loss of HK\$16.3 million in the corresponding period in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had a current ratio of 1.1 and a gearing ratio of 31.8% (31 December 2012 (restated): 1.0 and 21.6%, respectively). The gearing ratio is computed by comparing the Group’s total long-term bank and other borrowings of HK\$1,486 million to the Group’s equity of HK\$4,676 million. The Group’s operations and investments continued to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates in Hong Kong and Mainland China, and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group has entered into certain non-delivery foreign exchange forward contracts to mitigate the exchange rate risk.

CAPITAL STRUCTURE

Except for the issuance and partial redemption of the redeemable convertible preference shares as detailed in note 12 to the interim financial statements, there was no material change in the Group's capital structure as compared to the most recently published annual report.

MATERIAL ACQUISITION

As disclosed in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012, respectively, on 4 July 2012, Even Dragon Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a direct wholly-owned subsidiary of SCL (the "Vendor") whereby the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the sale shares, being the entire issued share capital in Splendor Sheen which holds the 80% interest in the Avenue of Stars (formerly known as Fortuna Plaza) through a subsidiary, at a consideration of approximately HK\$1,589 million. Pursuant to the terms of the sale and purchase agreement, the deed to terminate the entrusted management agreement was signed by the relevant subsidiaries of the Company and SCL on the date of the sale and purchase agreement whereby the entrusted management agreement was terminated subject to and upon completion of the transaction contemplated under the sale and purchase agreement. The entrusted management agreement was entered into between an indirect wholly-owned subsidiary of the Company as grantee and a direct wholly-owned subsidiary of SCL as grantor in November 2011 whereby the exclusive right to manage the Avenue of Stars as a shopping mall was granted to the grantee at a basic fee of RMB80 million per annum and, subject to the actual performance of the shopping mall operations, a performance fee determined with reference to net operating profit of the said operations. Further details about the entrusted management agreement were set out in the announcement and circular of the Company dated 2 November 2011 and 19 December 2011, respectively. As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen was completed on 16 January 2013.

EVENT AFTER THE REPORTING PERIOD

On 15 August 2013, the Group signed the following agreements with independent third parties:

- (a) the letter agreement for the disposal of the entire issued share capital in and the assignment of the loan to Spark-Inn Investments Limited, an indirect wholly-owned subsidiary of the Company holding Factory Unit A on the Ground Floor of Cheung Wah Industrial Building in Hong Kong, for HK\$121,400,000 subject to certain adjustments; and
- (b) the provisional agreement for sale and purchase for the disposal of Factory Unit B on the Ground Floor of Cheung Wah Industrial Building in Hong Kong for HK\$121,400,000.

Details of the above transactions were set out in the Company's announcement dated 15 August 2013.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Avenue of Stars, which was acquired in the common control combination as referred to in note 1.2 to the interim financial statements and the section headed "Material Acquisition" in the above, was pledged with a bank for certain banking facilities made available to the Group. Save as aforesaid, there was no material change in the Group's pledge of assets and contingent liabilities as compared to the most recently published annual report.

EMPLOYEES

As at 30 June 2013, the total number of employees of the Group was approximately 24,700 (30 June 2012: 21,000).

Employees' costs (including directors' emoluments) amounted to approximately HK\$427.3 million for the six months ended 30 June 2013 (six months ended 30 June 2012 (restated): HK\$355.6 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programs are offered to employees of the Group. The Group also operates share option and share award schemes, and may, at its discretion, grant share option or award shares to its employees under respective schemes.

Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on his/her performance.

PROSPECTS

Trading and Manufacturing

Given the signs of economic recovery in the U.S., which were also revealed by the segmental revenue growth in the 2013 first half, management holds a positive view on the revenue growth in the second half of 2013.

The Group will continue its effort to expand product range, enlarge customer base and negotiate with customers with a view to reflecting the current costs in product pricing. On the cost improvement side, the Group will continue its effort to ensure that every aspect of its operations is cost effective. Management believed that such effort will bring positive contributions to the bottom line of the segment. To cope with the anticipated growth, Wah Shing Toys has set up a new production facility in Humen Town, Dongguan in the current period. Despite the various costs which Wah Shing Toys may incur in the start-up stage of this new plant, management expected that the new plant will bring long term benefits to the toys manufacturing operation.

Given the segmental revenue growth in the current period, which reinforced our view on the U.S. economic recovery notwithstanding the relatively slow progress, and management's anticipation that the increase in labour and material costs as well as the Renminbi appreciation would be relatively mild in the second half in view of the slow and unstable economic recovery in the western countries and the recent market concerns about the sustainability of the high economic growth rate in the PRC, the Group is cautiously optimistic about the performance of the trading and manufacturing segment in the second half of 2013.

Property Investment and Development

The Group has a property portfolio with total floor area of more than 513,000 square metres in Mainland China and 291,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations, and offer strong redevelopment potential.

The China sourced rental income was mainly generated from the properties in Nanjing. The Group's principal investment properties are located in the prime locations in Nanjing. The properties at Shi Zi Qiao (Lion Bridge), which is a traditional pedestrian/food street at the Gulou district in the centre of Nanjing, are some of the hidden gems. These shops carry great potential for rental increment on the expiry of the current leases. The Group also sees the hidden strength and value of the site as a large-scale shopping mall when a redevelopment plan is agreed with the local government.

The Group also holds a site with 29,000 square metres at Yuhuatai in Nanjing. The site is currently operated by the existing tenants as a flower wholesale market. Given the prime location and close proximity to the metro station, it has a great redevelopment potential in the future, and will then fully release its hidden strength and value as good opportunities arise.

The properties in Nanjing, together with the industrial sites in Tianjin and the lychee plantation in Zhengcheng, offer the Group various redevelopment opportunities. The Group is currently exploring possible redevelopment opportunities for such sites with respective local governments, and will continue to look for redevelopment opportunities for the other properties in China in order to maximize their return to shareholders.

Upon completion of the acquisition of the entire issued share capital in Splendor Sheen on 16 January 2013, the Group added to its properties portfolio a shopping mall in Shenyang, namely the Avenue of Stars. Tenants recruitment for the Avenue of Stars is in progress. Management expected that the outstanding construction work will be completed in late 2013 and targeted to have the shopping mall opened in the second half of 2013. The shopping mall operations will broaden the scope of the property leasing business and widen the rental income stream of the Group, contributing a stable cash inflows in the long run.

Management expected that revenue and contribution from the property investment and development segment would continue to grow and become one of the Group's major recurring and reliable income sources. Meanwhile, the Group will continue to unload its non-core investment properties in Hong Kong in order to reallocate more resources to our projects in Mainland China.

Agriculture and Forestry

The Group currently has long-term leases of approximately 521,000 mu of woodland, farmland, fishpond and lake space in various major provinces in China, and is focusing on the plantation of fruits and crops, such as apple, lychee, winter date, peach, pear, corn, cotton and potato, and breeding of livestock, such as pig, for sale. The Group will continue to explore plantation opportunities for high profit margin species and, as desirable opportunities arise, strategically expand its portfolio site area by new land leases.

Management will continue their effort in cost control and efficient resources utilization with a view to containing the costs as they accumulate experience in the industry and unveiling the full potential of the investments in the agriculture and forestry segment.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 2013, 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 ("Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

(a) The Company

(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	185,706,917	1,883,283,829	63.01%
	Interest of spouse	53,500,000		
	Interest of controlled corporations	1,644,076,912 (Note (a))		
Ng Yuk Fung Peter	Beneficial owner	162,944,000	162,944,000	5.42%
Ng Yuk Mui Jessica	Beneficial owner	68,280,000	68,280,000	2.28%
Law Albert Yu Kwan ("Mr. Law")	Beneficial owner	432,000 (Note (b))	432,000	0.01%

(ii) Long positions in underlying shares

Name of Directors	Capacity	Number of underlying ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	26,000,000 (Note (c))	0.87%
Ng Yuk Fung Peter	Beneficial owner	26,000,000 (Note (c))	0.87%
Mr. Law	Beneficial owner	2,088,000 (Note (d))	0.10%

(b) Associated corporation

Prime Prospects Limited (“Prime Prospects”) (Note (e))

Long positions in shares

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Mr. Ng	Interest of a controlled corporation	30	30%

Notes:

- (a) The 1,644,076,912 shares of the Company held by Mr. Ng through controlled corporations included 489,866,418 shares held by Fung Shing Group Limited (“Fung Shing”), 465,933,710 shares held by Parkfield Holdings Limited (“Parkfield”), 310,019,381 shares held by Earntrade Investments Limited (“Earntrade”), 293,515,649 shares held by Bannock Investment Limited (“Bannock”), 20,613,338 shares held by Ronastar Investments Limited (“Ronastar”) and 64,128,416 shares held by Worldunity Investments Limited (“Worldunity”). Parkfield, Fung Shing and Ronastar were all wholly owned by Mr. Ng. Mr. Ng held Worldunity indirectly via South China Holdings Limited, which was owned as to 73.72% by Mr. Ng while Bannock was a wholly-owned subsidiary of Earntrade which was owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. As such, Mr. Ng was deemed to have interest in the 64,128,416 shares held by Worldunity and the 603,535,030 shares held by Bannock and Earntrade.
- (b) The 432,000 shares of the Company held by Mr. Law were the shares awarded to him under the Employees’ Share Award Scheme of the Company (“Share Award Scheme”). Mr. Law was awarded 216,000 shares and 216,000 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.
- (c) Please refer to the details set out in the section headed “Share Option Schemes”.
- (d) The 2,088,000 underlying shares of the Company held by Mr. Law were the shares awarded to him under the Share Award Scheme. Mr. Law was awarded 520,000 shares and 1,568,000 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.
- (e) Prime Prospects was a 70%-owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2013, 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 Directors’ and Chief Executives’ Interests, 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 2013, 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 required to be kept by the Company under Section 336 of the SFO ("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	603,535,030 (Note (a))	20.19%
Bannock	Beneficial owner	293,515,649 (Note (a))	9.82%
Parkfield	Beneficial owner	465,933,710	15.59%
Fung Shing	Beneficial owner	489,866,418	16.39%
Ng Lai King Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	1,883,283,829 (Note (b))	63.01%

Notes:

- (a) Bannock was a wholly-owned subsidiary of Eartrade. The 603,535,030 shares of the Company held by Eartrade included 293,515,649 shares held by Bannock directly.
- (b) Ms. Ng, who held 53,500,000 shares of 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 185,706,917 shares and 1,644,076,912 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 2013, 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.

SHARE OPTION SCHEMES

(i) 2002 Share Option Scheme

The share option scheme adopted by the Company on 31 May 2002 (the “2002 Option Scheme”) was terminated on 5 June 2012. Share options granted under the 2002 Option Scheme prior to its termination will continue to be valid and exercisable pursuant to the terms of the 2002 Option Scheme. Particulars and movements of the outstanding share options granted under the 2002 Option Scheme during the six months ended 30 June 2013 were as follows:

Name or category of participants	Number of shares comprised in share options					Date of grant of share options (DD/MM/YYYY) (Note a)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share HK\$ (Note b)
	Outstanding as at 1 January 2013	Exercised	Lapsed during the period	Cancelled	Outstanding as at 30 June 2013			
Directors								
Ms. Cheung	8,666,666	–	–	–	8,666,666	18/09/2007	18/09/2008 to 17/09/2017	1.500
	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2009 to 17/09/2017	1.500
	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2010 to 17/09/2017	1.500
Ng Yuk Fung Peter	8,666,666	–	–	–	8,666,666	18/09/2007	18/09/2008 to 17/09/2017	1.500
	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2009 to 17/09/2017	1.500
	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2010 to 17/09/2017	1.500
Sub-total	52,000,000	–	–	–	52,000,000			
Employees								
In aggregate	1,333,333	–	–	–	1,333,333	18/09/2007	18/09/2008 to 17/09/2017	1.500
	1,333,333	–	–	–	1,333,333	18/09/2007	18/09/2009 to 17/09/2017	1.500
	1,333,334	–	–	–	1,333,334	18/09/2007	18/09/2010 to 17/09/2017	1.500
	1,966,666	–	–	–	1,966,666	25/09/2007	25/09/2008 to 24/09/2017	1.500
	1,966,666	–	–	–	1,966,666	25/09/2007	25/09/2009 to 24/09/2017	1.500
	1,966,668	–	–	–	1,966,668	25/09/2007	25/09/2010 to 24/09/2017	1.500
Sub-total	9,900,000	–	–	–	9,900,000			
Others								
In aggregate	10,066,665	–	–	–	10,066,665	18/09/2007	18/09/2008 to 17/09/2017	1.500
	10,066,666	–	–	–	10,066,666	18/09/2007	18/09/2009 to 17/09/2017	1.500
	10,066,669	–	–	–	10,066,669	18/09/2007	18/09/2010 to 17/09/2017	1.500
	200,000	–	–	–	200,000	25/09/2007	25/09/2008 to 24/09/2017	1.500
	200,000	–	–	–	200,000	25/09/2007	25/09/2009 to 24/09/2017	1.500
	200,000	–	–	–	200,000	25/09/2007	25/09/2010 to 24/09/2017	1.500
Sub-total	30,800,000	–	–	–	30,800,000			
Total	92,700,000	–	–	–	92,700,000			

Notes:

- a. All share options granted are subject to a vesting period and exercisable in the following manner:

From the date of grant of share options	Exercisable percentage
	%
Within 12 months	Nil
13th – 24th months	not more than 33 ¹ / ₃
25th – 36th months	not more than 66 ² / ₃
37th – 120th months	100

- b. The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

No share options have been exercised, lapsed, cancelled during the six months ended 30 June 2013. No equity-settled share option expense was recognised by the Company during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

(ii) 2012 Share Option Scheme

At the annual general meeting of the Company held on 5 June 2012, the shareholders approved the adoption of a new share option scheme (the “2012 Option Scheme”) and it became effective on 11 June 2012. Subject to the early termination of the 2012 Option Scheme pursuant to the terms thereof, the 2012 Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective. No share option has been granted under the 2012 Option Scheme since its adoption.

EMPLOYEES’ SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the Share Award Scheme for recognizing the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the applicable terms and conditions of the Share Award Scheme, a sum up to HK\$60 million will be used until 31 December 2013 for the purchase of shares of the Company and/or SCL from market, which will be held on trust by the trustee for the selected employees of the Group. The selected employees and the reference awarded sum for the purchase of shares to be awarded will be determined by the Board from time to time at its absolute discretion.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2013, the trustee of the Share Award Scheme purchased a total of 3,368,000 shares of the Company at an aggregate consideration of approximately HK\$2,575,000 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

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) since the publication of the Company's Annual Report for the year ended 31 December 2012 up to the date of this report are set out below:

Mr. Yip Dicky Peter, J.P. ("Mr. Yip") was appointed as an independent non-executive director of DSG International (Thailand) Public Company Limited, a company listed on the stock exchange of Thailand, with effect from 24 April 2013 and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., a company listed on the Stock Exchange, with effect from 17 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding the directors' securities transactions.

Following a specific enquiry by the Company, all Directors of the Company have confirmed in writing their compliance with the required standards set out in the Model Code regarding directors' securities transactions throughout the six months ended 30 June 2013.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises four Independent Non-executive Directors, namely Ms. Li Yuen Yu Alice (Chairman of the Committee), Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip.

The Group's unaudited consolidated results for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

By Order of the Board
South China (China) Limited
Ng Hung Sang
Chairman and Executive Director

Hong Kong, 27 August 2013

As at the date of this report, the directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Ng Yuk Fung Peter, Mr. Law Albert Yu Kwan and Mr. Yeung Kwong Sunny 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, Ms. Li Yuen Yu Alice, Mr. Yip Dicky Peter, J.P., Dr. Leung Tony Ka Tung and Mr. Lau Lai Chiu Patrick as independent non-executive directors.