



SOUTH CHINA (CHINA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 2014. The unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2014	2013
		Unaudited	Unaudited
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	1,148,920	975,355
Cost of sales		(1,040,812)	(884,308)
Gross profit		108,108	91,047
Other income and gains, net		54,293	20,850
Selling and distribution expenses		(28,443)	(23,513)
Administrative and operating expenses		(183,893)	(177,481)
Equity-settled share award expense		(647)	(1,513)
Gain/(loss) on disposal of assets and investments, net	3	84	(2,935)
Changes in fair value of assets	4	88,379	144,333
Profit from operations	2&5	37,881	50,788
Finance costs		(27,961)	(25,903)
Impairment of advances to an associate		(19)	(36)
Share of profits and losses of associates		171,716	239,288
Profit before tax		181,617	264,137
Income tax expense	6	(21,919)	(15,348)
Profit for the period		159,698	248,789
Attributable to:			
Owners of the Company		162,462	246,313
Non-controlling interests		(2,764)	2,476
		159,698	248,789
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic		HK5.5 cents	HK8.4 cents
Diluted		HK3.6 cents	HK5.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June

2014	2013
Unaudited	Unaudited
HK\$'000	HK\$'000

Profit for the period	159,698	248,789
Other comprehensive income/(loss):		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale financial assets:		
Changes in fair value	(272)	–
Reclassification adjustment for gain on disposal included in the consolidated statement of profit or loss	–	(356)
	(272)	(356)
Exchange differences on translation of foreign operations	(87,707)	83,007
Share of other comprehensive (loss)/income of associates	(305)	289
Other comprehensive (loss)/income for the period, net of tax	(88,284)	82,940
Total comprehensive income for the period	71,414	331,729
Attributable to:		
Owners of the Company	88,920	315,517
Non-controlling interests	(17,506)	16,212
	71,414	331,729

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2014 Unaudited HK\$'000	As at 31 December 2013 Restated HK\$'000	As at 1 January 2013 Restated HK\$'000
	Notes			
NON-CURRENT ASSETS				
Property, plant and equipment		227,438	242,424	225,121
Investment properties		1,816,482	1,765,795	1,726,378
Investment property under construction		3,123,909	3,162,809	3,019,473
Prepaid land lease payments		88,118	90,559	87,829
Construction in progress		128,142	127,770	116,326
Investments in associates	9	1,505,762	1,348,694	1,124,854
Biological assets		139,095	123,962	137,784
Available-for-sale financial assets		71,416	71,689	57,381
Other non-current assets		15,638	15,638	16,666
Prepayments and deposits		18,835	18,967	18,777
Goodwill		3,172	3,219	3,152
Total non-current assets		7,138,007	6,971,526	6,533,741
CURRENT ASSETS				
Inventories		555,651	405,875	341,396
Trade receivables	10	372,722	272,180	185,958
Prepayments, deposits and other receivables		173,468	132,877	311,765
Financial assets at fair value through profit or loss		60,184	65,271	38,089
Foreign exchange forward contracts		212	14,617	1,464
Due from non-controlling shareholders of subsidiaries		41,049	41,999	35,218
Due from affiliates		93,546	78,000	78,000
Loan receivable	11	621,193	–	–
Tax recoverable		26,337	20,459	20,222
Cash and bank balances		485,741	391,744	255,837
		2,430,103	1,423,022	1,267,949
Non-current assets classified as held for sale		460,572	449,069	497,424
Total current assets		2,890,675	1,872,091	1,765,373
CURRENT LIABILITIES				
Trade payables	12	398,583	353,155	238,011
Other payables and accruals		426,182	416,678	396,457
Interest-bearing bank borrowings		1,922,691	991,136	1,046,148
Due to a non-controlling shareholder of subsidiaries		23,776	23,438	21,390
Due to an affiliate		–	4,553	17
Tax payable		33,752	36,334	35,462
Total current liabilities		2,804,984	1,825,294	1,737,485
NET CURRENT ASSETS		85,691	46,797	27,888
TOTAL ASSETS LESS CURRENT LIABILITIES		7,223,698	7,018,323	6,561,629

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at 30 June 2014 Unaudited HK\$'000	As at 31 December 2013 Restated HK\$'000	As at 1 January 2013 Restated HK\$'000
	Note			
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings		1,155,067	1,314,925	748,791
Advances from non-controlling shareholders of subsidiaries		40,015	33,047	31,851
Due to an associate		95,860	105,948	116,579
Other non-current liabilities		87,879	89,742	89,628
Deferred tax liabilities		809,762	810,854	766,985
Total non-current liabilities		2,188,583	2,354,516	1,753,834
Net assets		5,035,115	4,663,807	4,807,795
EQUITY				
Equity attributable to owners of the Company				
Issued capital	13	95,655	86,832	59,773
Reserves		4,473,210	4,093,219	3,912,935
		4,568,865	4,180,051	3,972,708
Non-controlling interests		466,250	483,756	835,087
Total equity		5,035,115	4,663,807	4,807,795

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 2014							
As previously reported	837,674	(25,115)	(534,249)	3,901,741	4,180,051	483,756	4,663,807
Adjusted for common control combination (note 1.2)	-	-	17	(17)	-	-	-
As restated	837,674	(25,115)	(534,232)	3,901,724	4,180,051	483,756	4,663,807
Issuance of redeemable convertible preference shares	300,000	-	-	-	300,000	-	300,000
Recognition of equity-settled share- based compensation: share award	-	-	295	-	295	-	295
Transfer of employee share-based compensation reserve upon forfeiture of share award and share option	-	-	(404)	404	-	-	-
Vesting of shares awarded under share award scheme	-	134	(134)	-	-	-	-
Shares purchased for share award scheme	-	(401)	-	-	(401)	-	(401)
Total comprehensive income for the period	-	-	(73,542)	162,462	88,920	(17,506)	71,414
At 30 June 2014	<u>1,137,674</u>	<u>(25,382)</u>	<u>(608,017)</u>	<u>4,064,590</u>	<u>4,568,865</u>	<u>466,250</u>	<u>5,035,115</u>
At 1 January 2013							
As previously reported	66,497	(22,650)	646,421	3,282,450	3,972,718	835,094	4,807,812
Adjusted for common control combination (note 1.2)	-	-	-	(10)	(10)	(7)	(17)
As restated	66,497	(22,650)	646,421	3,282,440	3,972,708	835,087	4,807,795
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 parent of the vendor subject to waiver in the common control combination	-	-	4,001	-	4,001	-	4,001
Waiver of loan to the subsidiary acquired in the common control combination from the former holding company	-	-	17	-	17	-	17
Deemed acquisition of non-controlling interests under merger accounting	-	-	36,302	333,029	369,331	(369,331)	-
Balance of consideration for the common control contribution under merger accounting	-	-	(1,339,867)	-	(1,339,867)	-	(1,339,867)
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	-	-	69,204	246,313	315,517	16,212	331,729
At 30 June 2013 (as restated)	<u>940,502</u>	<u>(24,535)</u>	<u>(583,966)</u>	<u>3,861,782</u>	<u>4,193,783</u>	<u>481,968</u>	<u>4,675,751</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June

2014	2013
Unaudited	Unaudited
HK\$'000	HK\$'000

Net cash outflow from operating activities	(281,306)	(57,957)
Net cash outflow from investing activities	(334,323)	(392,674)
Net cash inflow from financing activities	667,601	450,069
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	51,972	(562)
Cash and cash equivalents at beginning of the period	349,968	241,715
Effect of foreign exchange rate changes, net	(2,779)	2,315
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Cash and cash equivalents at end of the period	399,161	243,468
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	485,741	292,885
Less:		
Restricted bank deposits	(23,581)	(19,339)
Bank overdrafts	(62,999)	(30,078)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of cash flows	399,161	243,468
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 preparation of the annual financial statements for the year ended 31 December 2013 except that the Group has adopted the new and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2014, as disclosed in the annual financial statements for the year ended 31 December 2013. The adoption of these new and revised Hong Kong Financial Reporting Standards does not have significant impact on the Group’s results of operations and financial position.

These interim financial statements should be read, where relevant, in conjunction with the 2013 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 2014. Such HKFRSs have become effective for the annual periods beginning on or after 1 January 2014, and include:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> — <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets</i> — <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> — <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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.

1. BASIS OF PREPARATION (Continued)

1.2 Common control combination

On 24 April 2014, South China Financial Holdings Limited ("SCFH"), as vendor, entered into a deed with South China Industries (BVI) Limited ("SCI"), a direct wholly-owned subsidiary of the Company, as purchaser, whereby SCFH has agreed to sell and SCI has agreed to purchase the entire issued share capital of Intercourt Investments Limited ("Intercourt Investments") for HK\$1 and the sale debt, being the amount of approximately HK\$4,553,000 owed by Intercourt Investments to SCFH immediately before completion of the transaction pursuant to the abovementioned deed, for approximately HK\$4,553,000 (the "Acquisition"). The Acquisition was completed on 24 April 2014. SCFH and the Company are ultimately controlled by the substantial shareholder of the Company. Details of the Acquisition were disclosed in the announcement of the Company dated 24 April 2014.

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 Intercourt Investments. The effect of such common control combination on the consolidated financial statements are summarised below:

Consolidated statement of financial position

	As at 31 December 2013 HK\$'000	As at 1 January 2013 HK\$'000
Increase in prepayments, deposits and other receivables and increase in total current assets	4,553	–
Increase in amount due to an affiliate and increase in total current liabilities	(4,553)	(17)
Decrease in net assets	–	(17)
Increase in contributed surplus	17	–
Decrease in retained profits	(17)	(10)
Decrease in non-controlling interests	–	(7)
Decrease in total equity	–	(17)

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 2014 and 2013 is as follows:

	Revenue		Contribution to profit/ (loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Trading and manufacturing	1,089,666	918,194	(33,827)	(33,496)
Property investment and development	53,273	48,804	137,169	141,814
Agriculture and forestry	5,981	8,357	(17,383)	(21,036)
Investment holding	–	–	(48,078)	(36,494)
	<u>1,148,920</u>	<u>975,355</u>	<u>37,881</u>	<u>50,788</u>
By geographical location*:				
The People's Republic of China (the "PRC") including Hong Kong and Macau	165,596	116,227	77,060	89,812
United States of America	513,084	494,166	(23,078)	(20,930)
Europe	231,645	180,468	(8,140)	(10,160)
Japan	8,978	15,011	(140)	(392)
Others	229,617	169,483	(7,821)	(7,542)
	<u>1,148,920</u>	<u>975,355</u>	<u>37,881</u>	<u>50,788</u>

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

2. REVENUE AND SEGMENTAL INFORMATION (Continued)

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 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000	30 June 2014 Unaudited HK\$'000	31 December 2013 Restated HK\$'000	30 June 2014 Unaudited HK\$'000	31 December 2013 Restated HK\$'000
Segment assets	1,757,985	1,399,013	6,187,790	5,560,935	276,184	241,563	274,624	272,953	8,496,583	7,474,464
Investments in associates	11,694	12,043	1,494,068	1,336,651	-	-	-	-	1,505,762	1,348,694
Tax recoverable									26,337	20,459
Total assets									10,028,682	8,843,617
Segment liabilities	1,773,524	1,444,067	2,240,185	1,452,527	19,736	11,154	116,608	424,874	4,150,053	3,332,622
Tax payable									33,752	36,334
Deferred tax liabilities									809,762	810,854
Total liabilities									4,993,567	4,179,810

3. GAIN/(LOSS) ON DISPOSAL OF ASSETS AND INVESTMENTS, NET

	Six months ended 30 June	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Gain on disposal of available-for-sale financial assets and other non-current assets	-	2,343
Write-off of biological assets	-	(5,262)
Gain/(loss) on disposal of items of property, plant and equipment	84	(16)
	84	(2,935)

4. CHANGES IN FAIR VALUE OF ASSETS

	Six months ended 30 June	
	2014 Unaudited HK\$'000	2013 Unaudited HK\$'000
Fair value (loss)/gain on foreign exchange forward contracts	(2,224)	16,210
Fair value (loss)/gain on financial assets at fair value through profit or loss	(5,011)	3,256
Fair value gain on investment properties and investment property under construction	84,047	76,424
Fair value gain on investment properties presented as non-current assets classified as held for sale	11,567	48,443
	88,379	144,333

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 2014 amount to approximately HK\$23,990,000 (six months ended 30 June 2013: HK\$21,302,000) and HK\$11,425,000 (six months ended 30 June 2013: HK\$10,127,000), 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 2013: 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 2014 (six months ended 30 June 2013: 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\$162,462,000 (six months ended 30 June 2013: approximately HK\$246,313,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

	2014	2013
	Unaudited	Unaudited
	'000	'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	2,945,918	2,949,498
Effect of redeemable convertible preference shares	1,552,812	1,511,371
Effect of shares held for the share award scheme	41,127	39,139
	<hr/>	<hr/>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>4,539,857</u>	<u>4,500,008</u>

The Company's share options have no dilution effect for the six months ended 30 June in both 2014 and 2013 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 the 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 <i>HK\$'000</i>
Firm Wise Investment Limited ("FWIL")	30%	540,000

The guarantee given was to secure the banking facilities granted to FWIL of which approximately HK\$532,500,000 were utilized as at 30 June 2014. The banking facilities are due to be mature in November 2016. 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\$372,722,000 as at 30 June 2014 (as at 31 December 2013: HK\$272,180,000), 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. LOAN RECEIVABLE

On 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of South China Land Limited ("SCL"), whereby the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 40% of the issued share capital of Elite Empire Investments Limited (the "Sale Shares") at a consideration of HK\$600 million subject to the adjustment for 40% of the shortfall in unaudited net assets value of Elite Empire Investments Limited and its subsidiaries (collectively the "Elite Empire Group") as at the completion date as referred to in the announcement and circular of the Company dated 18 February 2014 and 19 March 2014, respectively. As disclosed in the announcement of the Company dated 3 July 2014, such adjustment, which was paid by the Vendor to the Purchaser in cash on 30 June 2014, amounted to approximately HK\$8.8 million. Hence, the consideration after the abovementioned adjustment amounted to approximately HK\$591.2 million.

Under the Agreement, the Purchaser and the Vendor shall enter into the put and call options agreement (the "Options Agreement") whereby the Purchaser shall grant to the Vendor a call option to give the Vendor the right to require the Purchaser to sell to the Vendor all (but not part) of the Sale Shares, subject to the terms and conditions of the Options Agreement, at a fixed sum of HK\$700 million (the "Exercise Price") during the period of 15 months commencing on the 1st day of the 10th month from the date of completion of the transactions pursuant to the Agreement (the "Completion") and expiring on the last day of the 24th month from the Completion date, both days inclusive (the "Option Exercisable Period") and the Vendor shall grant to the Purchaser a put option to give the Purchaser the right to require the Vendor to buyback all (but not part) of the Sale Shares from the Purchaser, subject to the terms and conditions of the Options Agreement, at the Exercise Price during the Option Exercisable Period.

11. LOAN RECEIVABLE (Continued)

Under the Agreement, the Purchaser shall procure the Company and the Vendor shall procure SCL to execute a deed of undertaking whereby the Company undertakes to grant guarantee(s) not exceeding HK\$500 million or an equivalent amount in US dollar or Renminbi in aggregate in favour of the prospective lenders of any member of the Elite Empire Group for any loan with a term not exceeding three years at the request of Elite Empire Investments Limited after Completion subject to the terms and conditions of the Agreement and the said deed of undertaking and SCL shall indemnify the Company against 60% of all guaranteed sum together with the full amount of all costs and expenses incurred in (a) defense against or settlement of any claim lodged with the Company under such guarantee(s) and (b) recovery of the said guarantee sum and the costs referred to in (a) above. Up to the date of this interim report, no guarantee has been granted under the Agreement and the deed of undertaking.

The abovementioned transactions were completed on 11 April 2014. According to the accounting treatment as detailed in the circular of the Company dated 19 March 2014, the Group has recognised the acquisition of the Sale Shares, the grant of the call option by the Purchaser to the Vendor and the grant of the put option by the Vendor to the Purchaser at the same Exercise Price, which is a fixed sum, and with the same Option Exercisable Period under the Agreement collectively (the “Resulting Investment”) as a debt instrument, i.e. a loan receivable, in view of, among others, the following:

- (a) Under the Agreement, the Purchaser is only entitled to appoint directors to the boards of the members of the Elite Empire Group after (i) the occurrence of any intervening event as detailed in the circular of the Company dated 19 March 2014 or (ii) the lapse of the put option and the call option. Furthermore, the Purchaser has agreed not to interfere with the business and the operating and financing policy decisions of Elite Empire Group at both the board and shareholder levels before the expiry of the Option Exercisable Period provided that there is no breach of the Agreement and the Elite Empire Group is not engaged in any business other than the property development project as defined in the said circular; and
- (b) The put option and the call option with fixed Exercise Price render the Purchaser’s present access to the ownership interest in the Sale Shares by way of sharing the residual interest in the assets of the Elite Empire Group after deducting all of the liabilities thereof limited and, therefore, the Vendor retains substantially all the risks and rewards of ownership. The combination of the put option and the call option with the same Option Exercisable Period and the same Exercise Price resembles a forward contract whereby the Purchaser is obliged to deliver the Sale Shares to the Vendor and the Vendor is obliged to settle the Exercise Price on the maturity date of such forward contract.

As detailed in the circular of the Company dated 19 March 2014, as the Resulting Investment is recognised as a debt instrument, the put option and the call option are not recognised separately.

Accordingly, upon Completion, the Group has recognised the loan receivable in respect of the said debt instrument at fair value, which is the present value of the expected future cash flows derived from the abovementioned debt instrument with the redemption price, i.e., the Exercise Price, of HK\$700 million, based on the assumption that the debt instrument will be redeemed upon the commencement of the Option Exercisable Period. Such loan receivable will subsequently be measured at amortised cost using the effective interest rate method. Finance income derived from the effective interest rate amortisation for the period from the day immediately after the Completion to the day immediately before the commencement date of the Option Exercisable Period will be recognised in the consolidated income statement of the Group over the said period with a corresponding increase in the carrying value of the loan receivable, which will stand at the balance of HK\$700 million immediately before the commencement of the Option Exercisable Period. The finance income so recognised in the consolidated income statement of the Group for the period from the day immediately after the Completion to 30 June 2014 amounted to approximately HK\$30 million.

12. TRADE PAYABLES

Trade payables of approximately HK\$398,583,000 as at 30 June 2014 (as at 31 December 2013: HK\$353,155,000) are substantially with an age within 6 months.

13. SHARE CAPITAL

	30 June 2014 Unaudited HK\$'000	31 December 2013 Audited HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.02 each	100,000	100,000
2,000,000,000 redeemable convertible preference shares of HK\$0.02 each	40,000	40,000
Total authorised capital	<u>140,000</u>	<u>140,000</u>
Issued and fully paid:		
2,988,636,863 ordinary shares of HK\$0.02 each	59,773	59,773
1,794,118,996 redeemable convertible preference shares (as at 31 December 2013: 1,352,942,526 shares) of HK\$0.02 each	35,882	27,059
Total issued and fully paid capital	<u>95,655</u>	<u>86,832</u>

	Issued ordinary shares Unaudited HK\$'000	Issued redeemable convertible preference shares Unaudited HK\$'000	Share premium Unaudited HK\$'000	Total Unaudited HK\$'000
At 1 January 2014	59,773	27,059	750,842	837,674
441,176,470 redeemable convertible preference shares issued during the period	<u>–</u>	<u>8,823</u>	<u>291,177</u>	<u>300,000</u>
At 30 June 2014	<u>59,773</u>	<u>35,882</u>	<u>1,042,019</u>	<u>1,137,674</u>
At 1 January 2013	59,773	–	6,724	66,497
1,770,710,526 redeemable convertible preference shares issued during the period	–	35,414	973,891	1,009,305
237,368,000 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>

13. 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.

14. 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 2013 has been presented herein.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK\$1.1 billion and profit after tax of HK\$159.7 million for the six months ended 30 June 2014, representing a 17.8% increase and a 35.8% decrease from respective comparative figures of the corresponding period in 2013.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises three principal business units, Wah Shing Toys, Wah Shing Electronics and South China Shoes. During the six months ended 30 June 2014, the segment recorded a 18.7% increase in revenue from HK\$918.2 million to HK\$1,089.7 million and reported an operating loss of HK\$33.8 million, which is broadly at the same level as that of the corresponding period in prior year.

In 2014 first half, the toys operations and the shoes operations reported an increase in revenue by 18.8% and 13.5%, respectively, along with the gradual recovery of the U.S. economy. The increase in revenue of the toys operations in the current period mainly reflects the increase in revenue from new models. The revenue growth of South China Shoes in the first half of 2014 is mainly attributable to the increase in sales to the customer newly acquired in June 2013.

Although Wah Shing Toys reported a 17.1% increase in revenue in the first half of 2014, there was only a small improvement in gross margin percentage from the corresponding period in last year in the face of increasing material costs and the increase in minimum wages. Given the above and the seasonality of the toy manufacturing business, Wah Shing Toys recorded an operating loss of approximately HK\$4.8 million in the current period as compared with the operating loss of approximately HK\$8.6 million recorded in the corresponding period in last year, representing a 43.3% improvement over the corresponding period in last year.

Despite the 39.0% increase in revenue in 2014 first half, operating loss for the current period as reported by Wah Shing Electronics remained at broadly the same level as that of the corresponding period in prior year as the contribution from the increase in sales was offset by the exchange loss and increase in staff costs.

South China Shoes reported a revenue growth of 13.5% with an increase in headcount of its sales team in 2014 first half. However, the operating loss increased by HK\$5.2 million to HK\$9.4 million due to the increase in production costs and transportation expenses.

Given the seasonal trend of the toy manufacturing business with the first half of a year being the traditional low season, management expected that the segmental revenue and operating performance of the trading and manufacturing segment will improve when the peak season comes in the second half.

Property Investment and Development

In 2014 first half, the property investment and development segment recorded a 9.2% increase in revenue to HK\$53.3 million and reported an operating profit after fair value gain of HK\$137.2 million, representing a 3.3% decrease from the corresponding period in prior year. Such decrease in operating profit primarily reflects the combined effect of the factors discussed below.

The fair value gain on investment properties (including the investment property under construction) and investment properties held for sale decreased by 23.4% or HK\$29.3 million to HK\$95.6 million in aggregate.

In April 2014, the Group acquired the 40% issued share capital in Elite Empire Investments Limited (“Elite Empire”), which indirectly holds the development rights in the Dadong District (大東區) property development project and the land use rights in the Southern lot thereof. As detailed in note 11 to the interim financial statements, the Group recognised the investment in Elite Empire as a debt instrument, i.e. a loan receivable. Finance income on the said loan receivable recognised in the current period amounted to HK\$30.0 million. This offset the decrease in fair value gain as referred to in the preceding paragraph.

The construction work to prepare the Avenue of Stars, the shopping mall in Shenyang targeting the youth market, for its intended use was in progress during the current reporting period. The leasing team has been actively recruiting tenants for the shopping mall. In 2014 first half, the selling and administrative expenses incurred by the shopping mall increased along with the preparation work for the opening of the shopping mall.

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 fair value gain on investment property and tax attributable to the Group of HK\$20.0 million, representing an increase of HK\$1.2 million as compared with the corresponding period in prior year. The increase in 2014 first half was mainly due to the saving in finance costs. The Group’s share of fair value gain on the investment property for the six months ended 30 June 2014 amounted to HK\$154.2 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 strategically continued our effort in expanding the site areas of our farmland and woodland gradually.

Revenue from the agriculture and forestry segment decreased by 28.4% to HK\$6.0 million in 2014 first half as compared with the corresponding period in 2013.

The agriculture and forestry segment recorded an operating loss of HK\$17.4 million in the first half of 2014 as compared with an operating loss of HK\$21.0 million in the corresponding period in 2013.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had a current ratio of 1.0 and a gearing ratio of 22.9% (31 December 2013: 1.0 and 28.2%, respectively). The gearing ratio is computed by comparing the Group’s long-term bank borrowings of HK\$1,155 million to the Group’s equity of HK\$5,035 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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiary or associated company. However, on 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of South China Land Limited ("SCL"), to acquire 40% of the issued share capital of Elite Empire Investments Limited ("Elite Empire"), which holds the indirect interest in the development rights in Dadong District (大東區) property development project and the land use rights in the Southern lot thereof through a subsidiary, at a consideration of HK\$591.2 million after adjustment for the 40% of the shortfall in unaudited net assets value of Elite Empire and its subsidiaries ("Elite Empire Group") as at the completion date according to the Agreement as disclosed in the announcement of the Company dated 3 July 2014 (refer to note 11 to the interim financial statements for details). As detailed in note 11 to the interim financial statements, the Group recognised the investment in Elite Empire as a debt instrument, i.e. a loan receivable. Further details about the abovementioned transaction have been set out in the Company's announcements dated 18 February 2014, 17 April 2014 and 3 July 2014 and circular dated 19 March 2014.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The 40% of the issued share capital of Elite Empire, as detailed in the section headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies" 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.

EVENT AFTER THE REPORTING PERIOD

On 28 July 2014, the Company announced that, on 25 July 2014, South China Strategic Limited (the "Transferee"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) (the "Transferor") and Nanjing Assets and Equity Exchange (南京產權交易中心), as the witness, for the acquisition of all the minority stakes in certain indirect non-wholly-owned subsidiaries of the Company (the "Target Subsidiaries") held by the Transferor at the total consideration of RMB34.9 million. The Target Subsidiaries, all being property holding companies, hold certain properties at Nanjing, PRC, mostly for rental income. The equity transfer agreements (signed by the Transferor and the Transferee) were submitted to Nanjing Assets and Equity Exchange (南京產權交易中心) on 25 July 2014 for its signing and the duly signed equity transfer agreements were returned on 28 July 2014. Details of the transactions were set out in the Company's announcements dated 28 July 2014.

EMPLOYEES

As at 30 June 2014, the total number of employees of the Group was approximately 22,500 (30 June 2013: 24,700).

Employees' costs (including directors' emoluments) amounted to approximately HK\$452.9 million for the six months ended 30 June 2014 (six months ended 30 June 2013: HK\$427.3 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 options 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. and the segmental revenue growth in the 2014 first half, management is optimistic about the sustainability of revenue level following the record high of HK\$2.3 billion as reported by Wah Shing Toys in fiscal 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 enhance cost competitiveness, Wah Shing Toys has increased its production capacity at Yulin, Yunfu and Dongguan, and will continue to explore the opportunities in this respect.

Despite the segmental revenue growth in the current period, we saw the increasing trend of materials and labour costs in the past few months and anticipated the Renminbi appreciation in the second half of 2014. In the face these challenges, the Group is cautiously optimistic about the performance of the trading and manufacturing segment in the second half of 2014.

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 279,000 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, which are mostly located in the prime locations of the city. 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.

The construction work of the Avenue of Stars is expected to complete in the second half of 2014. Tenants recruitment for the Avenue of Stars is underway. Management targeted to have the shopping mall opened tentatively by the end of 2014. The shopping mall operations will broaden the scope of the property leasing business and widen the rental income stream of the Group, contributing a source of 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 523,000 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 and corn, 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2014, the interests and short positions of the Directors and the chief 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, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 Interest of spouse Interest of controlled corporations	185,706,917 53,500,000 1,644,076,912 (Note (a))	1,883,283,829	63.01%
Ng Yuk Fung Peter	Beneficial owner	162,944,000	162,944,000	5.45%
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

Long positions in shares

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

Name of Directors	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 Eartrade Investments Limited (“Eartrade”), 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 Eartrade 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 Eartrade.
- (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 (the “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 2014, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of 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 2014, the following person/corporations, other than the Directors or the chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders' Interests"):

Long positions in shares

Name of Shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Earntrade	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 Earntrade. The 603,535,030 shares of the Company held by Earntrade 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 2014, no person or corporation, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

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 2014 were as follows:

Name or category of participant	Number of shares comprised in share options				Outstanding as at 30 June 2014	Date of grant of share options (DD/MM/YYYY) (Note a)	Exercise period of share options (DD/MM/YYYY)	Exercise price per share HK\$ (Note b)
	Outstanding as at 1 January 2014	Exercised	Lapsed	Cancelled				
			during the period					
Directors								
Ms. Cheung	8,666,666	-	-	-	8,666,666	18/09/2007	18/09/2008–17/09/2017	1.50
	8,666,667	-	-	-	8,666,667	18/09/2007	18/09/2009–17/09/2017	1.50
	8,666,667	-	-	-	8,666,667	18/09/2007	18/09/2010–17/09/2017	1.50
Ng Yuk Fung Peter	8,666,666	-	-	-	8,666,666	18/09/2007	18/09/2008–17/09/2017	1.50
	8,666,667	-	-	-	8,666,667	18/09/2007	18/09/2009–17/09/2017	1.50
	8,666,667	-	-	-	8,666,667	18/09/2007	18/09/2010–17/09/2017	1.50
Sub-total	52,000,000	-	-	-	52,000,000			
Employees								
In aggregate	1,333,333	-	-	-	1,333,333	18/09/2007	18/09/2008–17/09/2017	1.50
	1,333,333	-	-	-	1,333,333	18/09/2007	18/09/2009–17/09/2017	1.50
	1,333,334	-	-	-	1,333,334	18/09/2007	18/09/2010–17/09/2017	1.50
	1,766,666	-	(100,000)	-	1,666,666	25/09/2007	25/09/2008–24/09/2017	1.50
	1,766,666	-	(100,000)	-	1,666,666	25/09/2007	25/09/2009–24/09/2017	1.50
	1,766,668	-	(100,000)	-	1,666,668	25/09/2007	25/09/2010–24/09/2017	1.50
Sub-total	9,300,000	-	(300,000)	-	9,000,000			
Others								
In aggregate	9,866,665	-	-	-	9,866,665	18/09/2007	18/09/2008–17/09/2017	1.50
	9,866,666	-	-	-	9,866,666	18/09/2007	18/09/2009–17/09/2017	1.50
	9,866,669	-	-	-	9,866,669	18/09/2007	18/09/2010–17/09/2017	1.50
	200,000	-	-	-	200,000	25/09/2007	25/09/2008–24/09/2017	1.50
	200,000	-	-	-	200,000	25/09/2007	25/09/2009–24/09/2017	1.50
	200,000	-	-	-	200,000	25/09/2007	25/09/2010–24/09/2017	1.50
Sub-total	30,200,000	-	-	-	30,200,000			
Total	91,500,000	-	(300,000)	-	91,200,000			

Notes:

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

From the date of grant of share options	Exercisable percentage %
Within 12 months	Nil
13th month — 24th month	not more than $33\frac{1}{3}$
25th month — 36th month	not more than $66\frac{2}{3}$
37th month — 120th month	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 equity-settled share option expense was recognised by the Company during the six months ended 30 June 2014 (six months ended 30 June 2013: 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. 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 Employees’ Share Award Scheme (the “Share Award Scheme”) for recognizing the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the applicable terms and the conditions of the Share Award Scheme, a sum up to HK\$60 million will be used 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 2014, the trustee of the Share Award Scheme purchased a total of 584,000 shares of the Company at an aggregate consideration of approximately HK\$401,000 pursuant to the terms of the rules and trust deed of the Share Award Scheme. Other than that, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares during the period.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014 except that Mr. Ng, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 10 June 2014 since he had other business engagements, which deviated from code provision E.1.2.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Following specific enquiry by the Company, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding directors' securities transactions throughout the six months ended 30 June 2014.

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 Dicky Peter, J.P.

This interim report has been reviewed by the Company's Audit Committee.

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

Hong Kong, 26 August 2014

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 and Mr. Law Albert Yu Kwan 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.