



SOUTH CHINA HOLDINGS COMPANY LIMITED

南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the “Board”) of South China Holdings Company 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 2015. 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	
		2015	2014
		Unaudited	Unaudited
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	2	1,243,852	1,148,920
Cost of sales		(1,038,693)	(1,040,812)
Gross profit		205,159	108,108
Other income and gains, net		22,748	52,158
Fair value gain on investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale		227,013	95,614
Fair value (loss)/gain on biological assets		(20,287)	2,219
Fair value gain/(loss) on financial assets at fair value through profit or loss		34,455	(5,011)
Fair value loss on foreign exchange forward contract		(500)	(2,224)
Selling and distribution expenses		(28,256)	(28,443)
Administrative expenses		(212,669)	(183,893)
Equity-settled share award expense		(2,444)	(647)
Profit from operations	2&3	225,219	37,881
Finance costs		(62,272)	(27,961)
Share of profits and losses of associates		18,292	171,716
Impairment of advances to an associate		(1)	(19)
Profit before tax		181,238	181,617
Income tax	4	(29,747)	(21,919)
Profit for the period		151,491	159,698
Attributable to:			
Equity shareholders of the Company		148,539	162,462
Non-controlling interests		2,952	(2,764)
		151,491	159,698
Earnings per share	6		
Basic		HK2.5 cents	HK2.8 cents
Diluted		HK1.6 cents	HK1.8 cents

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit for the period	151,491	159,698
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale financial assets:		
Changes in fair value	—	(272)
	—	(272)
Exchange differences on translation of operations outside Hong Kong	(6,309)	(87,707)
Share of other comprehensive income of associates	(21)	(305)
Other comprehensive income for the period	(6,330)	(88,284)
Total comprehensive income for the period	145,161	71,414
Attributable to:		
Equity shareholders of the Company	143,083	88,920
Non-controlling interests	2,078	(17,506)
	145,161	71,414

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015 Unaudited HK\$'000	As at 31 December 2014 Audited HK\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment		210,316	225,507
Investment properties		6,674,653	6,498,488
Prepaid land lease payments		93,899	98,019
Construction in progress		131,958	131,922
Investments in associates		16,552	16,281
Biological assets		102,553	107,659
Available-for-sale financial assets		71,416	71,417
Other non-current assets		15,638	15,638
Prepayments and deposits		18,842	18,851
Goodwill		3,175	3,171
Total non-current assets		7,339,002	7,186,953
CURRENT ASSETS			
Inventories		640,919	363,604
Trade receivables	7	547,746	416,047
Prepayments, deposits and other receivables		207,323	136,013
Financial assets at fair value through profit or loss		84,516	46,696
Foreign exchange forward contracts		23,498	1,011
Amounts due from non-controlling shareholders of subsidiaries		41,200	41,236
Amounts due from affiliates		116,446	110,765
Loan receivable	8	700,000	695,228
Tax recoverable		35,134	27,766
Cash and bank balances		331,706	319,898
Non-current assets classified as held for sale		2,728,488 869,000	2,158,264 821,000
Total current assets		3,597,488	2,979,264
CURRENT LIABILITIES			
Trade payables	9	508,386	373,144
Other payables and accruals		584,021	468,017
Interest-bearing bank borrowings		2,398,910	2,038,507
Foreign exchange forward contracts		-	3,588
Amounts due to a non-controlling shareholder of subsidiaries		932	937
Tax payable		46,156	44,557
Total current liabilities		3,538,405	2,928,750
NET CURRENT ASSETS		59,083	50,514
TOTAL ASSETS LESS CURRENT LIABILITIES		7,398,085	7,237,467

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		30 June 2015 Unaudited HK\$'000	31 December 2014 Audited HK\$'000
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,366,013	1,314,135
Advances from non-controlling shareholders of subsidiaries		7,941	7,941
Other non-current liabilities		77,826	78,174
Deferred tax liabilities		824,280	803,562
		<hr/>	<hr/>
Total non-current liabilities		2,276,060	2,203,812
		<hr/>	<hr/>
Net assets		5,122,025	5,033,655
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	10	93,646	95,655
Reserves		4,645,871	4,557,570
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		4,739,517	4,653,225
Non-controlling interests		382,508	380,430
		<hr/>	<hr/>
Total equity		5,122,025	5,033,655
		<hr/>	<hr/>

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 2015	1,137,674	(24,443)	(598,668)	4,138,662	4,653,225	380,430	5,033,655
Redemption of redeemable convertible preference shares	(57,251)	-	-	-	(57,251)	-	(57,251)
Transfer of employee share-based compensation reserve upon forfeiture of share award and share option	-	-	(128)	128	-	-	-
Recognition of equity-settled share-based compensation: share award	-	-	460	-	460	-	460
Total comprehensive income for the period	-	-	(5,456)	148,539	143,083	2,078	145,161
At 30 June 2015	<u>1,080,423</u>	<u>(24,443)</u>	<u>(603,792)</u>	<u>4,287,329</u>	<u>4,739,517</u>	<u>382,508</u>	<u>5,122,025</u>
At 1 January 2014	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 award under shares award scheme	-	134	(134)	-	-	-	-
Share 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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash used in operations	(237,094)	(269,356)
Hong Kong Profit Tax paid	(5,825)	(3,210)
The People's Republic of China ("PRC") enterprise income tax paid	(6,039)	(8,740)
Net cash outflow from operating activities	(248,958)	(281,306)
Cash flows from investing activities		
Purchase of items of property, plant and equipment	(11,748)	(11,452)
Additions of prepaid lease payment	(25,406)	(51,693)
Other cash flows arising from investing activities	4,126	(271,178)
Net cash outflow from investing activities	(33,028)	(334,323)
Cash flows from financing activities		
New bank loans	1,256,431	1,153,857
Repayment of bank loans	(764,136)	(353,444)
Interest and other borrowing costs paid	(80,477)	(52,612)
Other cash flows arising from financing activities	(116,579)	(80,200)
Net cash inflow from financing activities	295,239	667,601
Net increase in cash and cash equivalents	13,253	51,972
Cash and cash equivalents at beginning of the period	259,095	349,968
Effect of foreign exchange rate changes, net	(154)	(2,779)
Cash and cash equivalents at end of the period	272,194	399,161
Analysis of balances of cash and cash equivalents		
Cash and bank balances	331,706	485,741
Less:		
Restricted bank deposits	(33,300)	(23,581)
Bank overdrafts	(26,212)	(62,999)
Cash and cash equivalents as stated in the statement of cash flows	272,194	399,161

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2014 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 2015, as disclosed in the annual financial statements for the year ended 31 December 2014. The adoption of these new and revised Hong Kong Financial Reporting Standards does not have significant impact on the Group’s results of operations and financial position.

These interim financial statements should be read, where relevant, in conjunction with the 2014 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 2015. Such HKFRSs have become effective for the annual periods beginning on or after 1 January 2015, and include:

Amendments to HKAS 19, *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010 – 2012 cycle
Annual Improvements to HKFRSs 2011 – 2013 cycle

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.

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 2015 and 2014 is as follows:

	Revenue		Contribution to profit/ (loss) from operations	
	Six months ended 30 June 2015 Unaudited HK\$’000	2014 Unaudited HK\$’000	Six months ended 30 June 2015 Unaudited HK\$’000	2014 Unaudited HK\$’000
By principal activity:				
Trading and manufacturing	1,148,352	1,089,666	20,104	(33,827)
Property investment and development	88,599	53,273	278,267	137,169
Agriculture and forestry	6,901	5,981	(38,982)	(17,383)
Investment holding	–	–	(34,170)	(48,078)
	1,243,852	1,148,920	225,219	37,881

	Revenue		Contribution to profit/ (loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical location [#] :				
The People's Republic of China (the "PRC")				
including Hong Kong and Macau	180,428	165,596	211,286	77,060
United States of America	602,420	513,084	2,274	(23,078)
Europe	210,230	231,645	4,781	(8,140)
Japan	8,914	8,978	309	(140)
Others	241,860	229,617	6,569	(7,821)
	<u>1,243,852</u>	<u>1,148,920</u>	<u>225,219</u>	<u>37,881</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	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,852,226	1,414,605	8,595,557	8,265,389	226,765	225,861	210,256	216,315	10,884,804	10,122,170
Investments in										
associates	12,668	12,398	3,884	3,883	-	-	-	-	16,552	16,281
Tax recoverable									35,134	27,766
Total assets									<u>10,936,490</u>	<u>10,166,217</u>
Segment liabilities	2,153,282	1,628,397	2,454,461	2,501,243	31,128	16,552	305,158	138,251	4,944,029	4,284,443
Tax payable									46,156	44,557
Deferred tax liabilities									824,280	803,562
Total liabilities									<u>5,814,465</u>	<u>5,132,562</u>

3. 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 2015 amounted to approximately HK\$21,941,000 (six months ended 30 June 2014: HK\$23,990,000) and HK\$13,857,000 (six months ended 30 June 2014: HK\$11,425,000), respectively.

4. INCOME 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 2014: 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.

5. INTERIM DIVIDEND

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

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately HK\$148,539,000 (six months ended 30 June 2014: approximately HK\$162,462,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

	2015 Unaudited '000	2014 Restated '000
<u>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	5,897,754	5,891,836
Effect of redeemable convertible preference shares	3,420,702	3,105,625
Effect of shares held for the share award scheme	79,520	82,253
	<hr/>	<hr/>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	9,397,976	9,079,714
	<hr/>	<hr/>

The Company's share options have no dilution effect for the six months ended 30 June in both 2015 and 2014 as the exercise price of the Company's share option was higher than the average market price of the shares in both periods.

The weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings per share for the period ended 30 June 2015 and 30 June 2014 has been adjusted to reflect the effect of the subdivision of ordinary shares in July 2015.

7. TRADE RECEIVABLES

Trade receivables of approximately HK\$547,746,000 as at 30 June 2015 (as at 31 December 2014: HK\$416,047,000), substantially with an age within six 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 mainly on credit with credit periods normally 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.

8. 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 Sales 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.

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. This guarantee has been expired after six months from the date of the Group’s independent shareholders’ approval of the transaction.

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 recognized separately.

Accordingly, upon Completion, the Group has recognised the loan receivable in respect of the said debt instrument at the consideration incurred. 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 is recognised in the consolidated statement of profit or loss of the Group over the said period with a corresponding increase in the carrying value of the loan receivable, which stands at the balance of HK\$700 million immediately before the commencement of the Option Exercisable Period. The finance income so recognised in the consolidated statement of profit or loss the Group for the period ended 30 June 2015 amounted to approximately HK\$4.8 million.

9. TRADE PAYABLES

Trade payables of approximately HK\$508,386,000 as at 30 June 2015 (as at 31 December 2014: HK\$373,144,000) are substantially with an age within six months.

10. SHARE CAPITAL

	30 June 2015 Unaudited HK\$'000	31 December 2014 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	140,000	140,000
Issued and fully paid:		
2,988,636,863 ordinary shares of HK\$0.02 each	59,773	59,773
1,693,678,996 redeemable convertible preference shares (as at 31 December 2014: 1,794,118,996 shares) of HK\$0.02 each	33,873	35,882
Total issued and fully paid capital	93,646	95,655

	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 2015	59,773	35,882	1,042,019	1,137,674
100,440,000 redeemable convertible preference shares redeemed during the period	–	(2,009)	(55,242)	(57,251)
At 30 June 2015	59,773	33,873	986,777	1,080,423
At 1 January 2014	59,773	27,059	750,842	837,674
441,176,470 redeemable convertible preference shares issued during the period	–	8,823	291,177	300,000
At 30 June 2014	59,773	35,882	1,042,019	1,137,674

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.

11. COMPARATIVE AMOUNTS

Certain comparative amounts in the condensed consolidated statement of profit or loss has been reclassified during the period. The purpose is to provide information that is useful in analysing the interim result.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK\$1.24 billion and profit after tax of HK\$151.5 million for the six months ended 30 June 2015, representing a 8.3% increase and a 5.1% decrease from respective comparative figures of the corresponding period in 2014.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises two principal business units, Wah Shing Toys and South China Shoes. During the six months ended 30 June 2015, the segment recorded a 5.4% increase in revenue from HK\$1,089.7 million to HK\$1,148.4 million and reported an operating profit of HK\$20.1 million.

In the first half of 2015, the toys operations and the shoes operations reported an increase in revenue by 5.5% and 13.3%, respectively, along with the gradual recovery of the U.S. economy. The increase in revenue of the toys operations in the current period was mainly attributable to the increase in revenue from new customers and revenue from the orders for new models from the existing customers. The revenue growth of South China Shoes in the first half of 2015 was mainly attributable to revenue from new models and the increase in selling price of certain recurring models.

Wah Shing Toys reported a 9.8% increase in revenue in the first half of 2015. The improvement in overall gross margin percentage in the first half of 2015 primarily reflects the results of various cost control and hedging measures and a relatively stable material cost level in the reporting period, which was partially offset by the increase in minimum wages in mainland China. Wah Shing Toys recorded an operating gain of approximately HK\$38.5 million in the current period as compared with the operating loss of approximately HK\$4.8 million recorded in the corresponding period in last year.

South China Shoes reported a revenue growth of 13.3% in 2015 first half. Overall gross margin percentage and operating loss also improved in the current period as a result of cost control measures in production and savings in transportation and administrative expenses leading to a decrease in the operating loss by HK\$4.6 million to HK\$4.7 million in the current period.

Given the seasonal trend of the toy manufacturing business with the first half of a year being the traditional low season and with the continuous cost control measures implemented in the manufacturing segment, 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 the first half of 2015, the property investment and development segment recorded a 66.3% increase in revenue to HK\$88.6 million and reported an operating profit after fair value gain of HK\$278.3 million, representing a 102.8% increase from HK\$137.2 million in the corresponding period in prior year.

The increase in rental income in the current period was mainly attributable to the units at The Centrium, a Grade A commercial building in Hong Kong, which were transferred to the Group upon the distribution of the said properties in specie by an associated company on 15 September 2014 (the “Distribution”). Details of the Distribution have been disclosed in the announcement of the Company dated 15 September 2014. The rental income of, fair value gain on and the expenses incurred for such units were taken up directly by the Group on a line by line basis from the date of Distribution onwards. Prior to the Distribution, the Group equity accounted for its share of the results of the said associated company which was presented as share of profits and losses of associates in the consolidated statement of profit or loss. Apart from the rental contribution from the units at The Centrium after the Distribution, the overall rental income from the Group’s investment property portfolio increased in the reporting period as the occupancy rate of our property portfolio in Nanjing and Shenyang has improved and certain properties at Tianjin, which were previously self-occupied, have been leased out.

The overall fair value gain on investment properties including the fair value gain on the units at The Centrium after the Distribution and investment properties held for sale increased by HK\$131.4 million to HK\$227.0 million in the current period.

In April 2014, the Group acquired 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 in Shenyang. As part of the acquisition, the acquirer entered into the put and call options agreement whereby the Group granted to the vendor a call option to give the vendor a right to require the Group to sell to the vendor all of the sales shares, i.e. 40% issued share capital in Elite Empire, 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 completion of the acquisition (the “Option Exercisable Period”) and the vendor granted to the Group a put option to give the Group the right to require the vendor to buyback all of the sales shares from the Group, at the Exercise Price during the Option Exercise Period. Accordingly, the Group recognised the investment in Elite Empire as a debt instrument, i.e. a loan receivable. Such loan receivable was recognized at fair value upon completion of the acquisition and subsequently measured at amortised cost using effective interest rate method. Interest income derived from the effective interest rate amortization, which amounted to HK\$102.6 million in aggregate for the period from the date immediately after completion of the acquisition to the date immediately before the commencement date of the Option Exercisable Period, was recognized in the consolidated statement of profit or loss of the Group over the said period with a corresponding increase in the carrying value of the loan receivable, which stood at the balance of HK\$700 million immediately before the commencement of the Option Exercisable Period. Therefore, the interest income derived from the effective interest rate method was fully recognized up to early January 2015. The recognition of such interest income commenced in April 2014. As such, the said interest income decreased by HK\$25.2 million from HK\$30 million in the corresponding period in the prior year to HK\$4.8 million in the current period. Details about the loan receivable and the interest thereon have been disclosed in the Circular dated 19 March 2014 issued by the Company.

Agriculture and Forestry

Revenue from the agriculture and forestry segment increased by 15.4% to HK\$6.9 million in the first half of 2015 as compared with the corresponding period in 2014.

The agriculture and forestry segment recorded an operating loss of HK\$39.0 million in the first half of 2015 as compared with an operating loss of HK\$17.4 million in the corresponding period in 2014. Operating loss before fair value change on biological assets of HK\$18.7 million for the first half of 2015 remained at a similar level as that of the corresponding period in prior year of HK\$19.6 million.

The biological assets balance decreased by 4.7% from HK\$107.7 million as at 31 December 2014 to HK\$ 102.6 million as at 30 June 2015. In terms of Renminbi, the functional currency of the relevant subsidiaries, the biological assets balance decreased by about the same extent, i.e. 4.7%, as there was no significant difference between the Renminbi exchange rate as at the current reporting period end date. The abovementioned decrease in biological assets balance primarily reflects the net effect of the fair value loss on biological assets recognized and the additions to biological assets in the current period. The said fair value loss mainly reflects a general decrease in the expected future output of the key species except for lychee, a decrease in the expected gross margin percentage and an increase in discount rate, which was determined with the reference to the available market data. Given the above, the current period additions to biological assets did not generate a proportionate increase in fair value of biological assets and the Group recognized a fair value loss on biological assets of HK\$20.3 million in the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had a current ratio of 1.0 and a gearing ratio of 26.7% (31 December 2014: 1.0 and 26.1%, respectively). The gearing ratio is computed by comparing the Group's long-term bank and other borrowings of HK\$1.4 billion to the Group's equity of HK\$5.1 billion. 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 foreign exchange forward contracts to mitigate the exchange rate risk.

CAPITAL STRUCTURE

Except for the redemption of the redeemable convertible preference shares as detailed in note 10 to the interim report, there was no material change in the Group's capital structure as compared to the 2014 annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiary or associated company other than the followings:

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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 10 July 2015, the Company granted a total of 40,250,000 share options (before adjustment for the Share Sub-division on 24 July 2015) to certain employees of subsidiaries of the Company under the Company’s share option scheme adopted on 5 June 2012.

On 23 July 2015, an ordinary resolution approving the sub-division of each of the existing issued and unissued ordinary share of HK\$0.02 each in the share capital of the Company into two ordinary shares of HK\$0.01 each was duly passed at the Extraordinary General Meeting and the Share Sub-division has become unconditional and effective on 24 July 2015 (the “Share Sub-division”).

Upon the share subdivision becoming effective on 24 July 2015, the exercise prices and the number of shares to be allotted and issued upon exercise of the subscription rights attaching to the options granted under the share option schemes adopted on 31 May 2002 and 5 June 2012 respectively are adjusted in accordance with the Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005.

Details of the transactions were set out in the Company's announcements dated 25 June 2015, 14 July 2015, 23 July 2015 and 3 August 2015.

EMPLOYEES

As at 30 June 2015, the total number of employees of the Group was approximately 24,200 (30 June 2014: 22,500).

Employees' costs (including directors' emoluments) amounted to approximately HK\$553.0 million for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$452.9 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

In view of the gradual economic recovery in the United States and the segmental revenue growth in the first half of 2015, management holds a positive view about the sustainability of the record high revenue of HK\$2.4 billion as reported by Wah Shing Toys in 2014.

Despite the challenge of rising labor costs and factory overheads in mainland China, the Group will continue its effort to expand its product range, enlarge its customer base and negotiate with customers in product pricing with a view to reflecting the current cost structure, while at the same time continue to be cost conscious in improving operation efficiency and, hence, profits. Management believed that such effort will bring positive contributions to the bottom line of the segment. Also, the recent depreciation of Renminbi counteracts the abovementioned pressure on costs to some extent. Given all the above, the Group is cautiously optimistic about the performance of the trading and manufacturing of toys segment.

Property Investment and Development

The Group has a property portfolio with total floor area of more than 560,000 square metres in Mainland China and 298,000 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. In the mainland China, the Group's principal investment properties are located at the prime locations in Nanjing and Shenyang.

The properties at Shi Zi Qiao (Lion Bridge), a traditional pedestrian/food street at the Gulou district at 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 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 will continue to look for redevelopment opportunities for such properties in China in order to maximize their return to shareholders.

With the completion of the revamp of the Avenue of Stars, management believed that the shopping mall operations will be one of the Group's key sources of rental income in China in future. The Avenue of Star together with the Group's existing investment portfolio in Nanjing and Tianjin will provide stable cash inflows to the Group in the long run.

Meanwhile, the Group will continue to unload its non-core investment properties in Hong Kong in order to reallocate more resources to our businesses in Mainland China.

Agriculture and Forestry

The Group currently has long-term leases of approximately 540,000 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.

INTERIM DIVIDEND

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

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

As at 30 June 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (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	185,706,917	1,819,163,413	60.87%
	Interest of spouse	53,500,000		
	Interest of controlled corporations	1,579,956,496 (Note (a))		
Ng Yuk Fung Peter ("Mr. Peter Ng")	Beneficial owner	163,344,000	163,344,000	5.47%
Ng Yuk Mui Jessica	Beneficial owner	68,280,000	68,280,000	2.28%
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	20,000,000	20,000,000	0.67%
Law Albert Yu Kwan ("Mr. Law")	Beneficial owner	952,000 (Note (b))	952,000	0.03%

(ii) Long positions in underlying shares

Name of Directors	Capacity	Number of underlying ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ms. Cheung	Beneficial owner	26,000,000 (Note (c))	0.87%
Mr. Peter Ng	Beneficial owner	26,000,000 (Note (c))	0.87%
Mr. Law	Beneficial owner	1,568,000 (Note (d))	0.05%

(b) Associated corporation

Long positions in shares

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

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 1,579,956,496 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 8,000 shares held by South China Finance And Management Limited (“SCFM”). Fung Shing, Parkfield and Ronastar were all wholly owned by Mr. Ng. Mr. Ng holds SCFM indirectly via South China Financial Holdings Limited (“SCF”). SCF was owned as to approximately to 34.90% 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 8,000 shares held by SCFM and the 603,535,030 shares held by Bannock and Earntrade.
- (b) The 952,000 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, 216,000 shares and 520,000 shares of the Company on 13 April 2011, 19 July 2011 and 30 March 2012 respectively, and such award shares were vested on 31 December 2012, 30 June 2013 and 31 December 2014 respectively.
- (c) Please refer to the details set out in section headed “Share Option Schemes”.
- (d) The 1,568,000 underlying shares of the Company held by Mr. Law were the shares awarded to him under the Share Award Scheme on 28 March 2013 with vesting date on 31 December 2015.
- (e) Prime Prospects was a 70% owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2015, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of 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 2015, the following person/corporations, other than the Directors or the chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of 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	1,819,163,413 (Note (b))	60.87%

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 1,579,956,496 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

Save as disclosed above, as at 30 June 2015, no person or corporation, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

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 2015 were as follows:

Name or category of participant	Number of shares comprised in share options				Outstanding as at 30 June 2015 (Note a)	Date of grant of share options (DD/MM/YYYY) (Note b)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share HK\$ (Note a & c)
	Outstanding as at 1 January 2015	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors								
Ms. Cheung	8,666,666	–	–	–	8,666,666	18/09/2007	18/09/2008–17/09/2017	1.500
	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2009–17/09/2017	1.500
	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2010–17/09/2017	1.500
Mr. Peter Ng	8,666,666	–	–	–	8,666,666	18/09/2007	18/09/2008–17/09/2017	1.500
	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2009–17/09/2017	1.500
	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2010–17/09/2017	1.500
Sub-total	52,000,000	–	–	–	52,000,000			
Employees								
In aggregate	1,333,333	–	–	–	1,333,333	18/09/2007	18/09/2008–17/09/2017	1.500
	1,333,333	–	–	–	1,333,333	18/09/2007	18/09/2009–17/09/2017	1.500
	1,333,334	–	–	–	1,333,334	18/09/2007	18/09/2010–17/09/2017	1.500
	1,566,666	–	–	–	1,566,666	25/09/2007	25/09/2008–24/09/2017	1.500
	1,566,666	–	–	–	1,566,666	25/09/2007	25/09/2009–24/09/2017	1.500
	1,566,668	–	–	–	1,566,668	25/09/2007	25/09/2010–24/09/2017	1.500
Sub-total	8,700,000	–	–	–	8,700,000			
Others								
In aggregate	9,866,665	–	–	–	9,866,665	18/09/2007	18/09/2008–17/09/2017	1.500
	9,866,666	–	–	–	9,866,666	18/09/2007	18/09/2009–17/09/2017	1.500
	9,866,669	–	–	–	9,866,669	18/09/2007	18/09/2010–17/09/2017	1.500
	300,000	–	–	–	300,000	25/09/2007	25/09/2008–24/09/2017	1.500
	300,000	–	–	–	300,000	25/09/2007	25/09/2009–24/09/2017	1.500
	300,000	–	–	–	300,000	25/09/2007	25/09/2010–24/09/2017	1.500
Sub-total	30,500,000	–	–	–	30,500,000			
Total	91,200,000	–	–	–	91,200,000			

Notes:

a. Upon the share subdivision becoming effective on 24 July 2015, the exercise prices and the number of shares to be allotted and issued upon exercise of the subscription rights attaching to the options granted under the 2002 Option Scheme are adjusted in accordance with the Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005. Details of the above matters were disclosed in the announcement of the Company dated 3 August 2015.

b. 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 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

c. 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 2015 (six months ended 30 June 2014: 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. During the six months ended 30 June 2015, 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 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 shall be determined by the Board from time to time at its absolute discretion.

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

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

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 2015 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 9 June 2015 since he had other business engagements, which deviated from code provision E.1.2.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1), changes to the 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 latest annual report up to the date of this interim report are set out below:

Mr. Lau Lai Chiu Patrick has resigned as Independent Non-executive Director of the Company from 10 August 2015.

Mr. David Michael Norman has resigned as a non-executive director, a member of the audit committee and a member of the remuneration and nomination committee of SCL from 12 August 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code regarding securities transactions by Directors throughout the six months ended 30 June 2015.

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. and a Non-executive Director, Mr. David Michael Norman.

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

By Order of the Board
South China Holdings Company Limited
南華集團控股有限公司
Ng Hung Sang
Chairman and Executive Director

Hong Kong, 28 August 2015

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 and Mr. David Michael Norman as non-executive directors; and (3) Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth, Ms. Li Yuen Yu Alice, Mr. Yip Dicky Peter, J.P. and Dr. Leung Tony Ka Tung as independent non-executive directors.