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SOUTH CHINA (CHINA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of South China (China) Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2010	2009
	<i>Notes</i>	Unaudited HK\$'000	Unaudited HK\$'000
Revenue	2	1,063,061	635,014
Cost of sales		(900,635)	(538,533)
Gross profit		162,426	96,481
Other income and gain		13,877	9,991
Selling and distribution costs		(16,093)	(23,136)
Administrative and operating expenses		(123,427)	(120,605)
Non-cash equity-settled share option expenses		(8,774)	(4,491)
Gain on disposal of assets and investments, <i>net</i>	3	1,832	5,252
Changes in fair value of assets	4	57,543	46,409
Profit from operations	2&5	87,384	9,901
Finance costs		(7,876)	(7,908)
Reversal of impairment / (impairment) of advance to an associate		614	(416)
Share of profits and losses of associates		36,781	14,585
Profit before tax		116,903	16,162
Tax	6	(9,170)	(4,685)
Profit for the period		107,733	11,477

		Six months ended 30 June	
		2010	2009
		Unaudited	Unaudited
<i>Notes</i>		HK\$'000	HK\$'000
Attributable to:			
	Equity holders of the Company	107,849	24,231
	Non-controlling interests	(116)	(12,754)
		<u>107,733</u>	<u>11,477</u>
Earnings per share attributable to equity holders of the Company :			
	8		
	Basic	<u>HK 3.6 cents</u>	<u>HK 0.9 cents</u>
	Diluted	<u>HK 3.6 cents</u>	<u>HK 0.9 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months ended 30 June	
	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Profit for the period	107,733	11,477
Other comprehensive income/(loss) for the period		
Exchange differences on translation of foreign operations	<u>287</u>	<u>(212)</u>
Total comprehensive income for the period	<u>108,020</u>	<u>11,265</u>
Attributable to:		
Equity holders of the Company	108,136	24,021
Non-controlling interests	<u>(116)</u>	<u>(12,756)</u>
Total comprehensive income for the period	<u>108,020</u>	<u>11,265</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		240,358	234,504
Investment properties		1,415,349	1,396,616
Prepaid land lease payments		41,924	42,484
Construction in progress		30,439	27,597
Interests in associates	9	505,504	468,862
Biological assets		88,990	88,990
Available-for-sale financial assets		41,625	41,901
Other non-current assets		16,666	16,666
Goodwill		3,011	3,011
Total non-current assets		<u>2,383,866</u>	<u>2,320,631</u>
CURRENT ASSETS			
Inventories		500,967	306,403
Trade receivables	10	280,874	155,773
Prepayments, deposits and other receivables		110,768	74,613
Financial assets at fair value through profit or loss		19,911	22,052
Due from affiliates		9,578	19,647
Tax recoverable		3,787	6,808
Cash and bank balances		145,789	174,907
		<u>1,071,674</u>	<u>760,203</u>
Non-current assets classified as held for sale		341,684	304,908
Total current assets		<u>1,413,358</u>	<u>1,065,111</u>
CURRENT LIABILITIES			
Trade and bills payables	11	375,919	288,384
Receipts in advance, accruals and other payables		296,708	258,674
Interest-bearing bank and other borrowings		659,194	405,739
Due to a minority shareholder of subsidiaries		20,694	20,697
Due to affiliates		615	15,688
Tax payable		30,885	30,266
Total current liabilities		<u>1,384,015</u>	<u>1,019,448</u>
NET CURRENT ASSETS		<u>29,343</u>	<u>45,663</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,413,209</u>	<u>2,366,294</u>

	30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	98,476	102,942
Advance from a director	-	38,409
Advances from minority shareholders of subsidiaries	29,346	29,346
Other non-current liabilities	84,427	85,170
Deferred tax liabilities	234,971	232,417
Total non-current liabilities	447,220	488,284
Net assets	1,965,989	1,878,010
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	59,469	59,424
Reserves	1,820,221	1,702,457
Proposed final dividend	-	29,714
	1,879,690	1,791,595
Non-controlling interests	86,299	86,415
Total equity	1,965,989	1,878,010

Notes:

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.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2010, as disclosed in the annual financial statements for the year ended 31 December 2009. The adoption of these new Hong Kong Financial Reporting Standards does not have significant impact on the Group’s results of operations and financial position.

These interim financial statements should be read, where relevant, in conjunction with the 2009 annual financial statements of the Group.

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

2. Revenue and segmental information

An analysis of the Group's consolidated revenue and contribution to profit from operations by principal activity and geographical location for the six months ended 30 June 2010 and 2009 is as follows:

	Revenue		Contribution to profit/ (loss) from operations	
	Six months ended 30 June 2010 Unaudited HK\$'000	2009 Unaudited HK\$'000	Six months ended 30 June 2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
By principal activity:				
Trading and manufacturing	1,026,281	608,997	55,239	(1,458)
Property investment and development	30,283	24,229	70,027	46,753
Agriculture and woods	6,497	1,788	(7,560)	(6,394)
Investment holding	-	-	(30,322)	(29,000)
	<u>1,063,061</u>	<u>635,014</u>	<u>87,384</u>	<u>9,901</u>
By geographical location [#] :				
The People's Republic of China (the "PRC") including Hong Kong and Macau	89,565	89,737	36,754	12,810
United States of America	630,581	376,036	34,340	1,183
Europe	191,421	87,992	7,687	(3,221)
Japan	9,863	3,301	617	(201)
Others	141,631	77,948	7,986	(670)
	<u>1,063,061</u>	<u>635,014</u>	<u>87,384</u>	<u>9,901</u>

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

3. Gain on disposal of assets and investments, net

	Six months ended 30 June	
	2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Gain on disposal of items of property, plant and equipment	1,781	286
Gain on disposal of financial assets at fair value through profit or loss	-	594
Gain on disposal of available-for-sale financial assets	76	-
Gain on disposal of investment properties	-	4,372
Loss on disposal of an associate	(25)	-
	<u>1,832</u>	<u>5,252</u>

4. Changes in fair value of assets

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Fair value gain / (loss) on financial assets at fair value through profit or loss	(2,396)	1,909
Fair value gain on investment properties	23,439	44,500
Fair value gain on non-current assets classified as held for sale	36,500	-
	<u>57,543</u>	<u>46,409</u>

5. Depreciation

Profit from operations for the period is arrived at after charging depreciation of approximately HK\$19,007,000 (six months ended 30 June 2009: HK\$19,577,000) in respect of the Group's property, plant and equipment.

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 2009: 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 2010 (six months ended 30 June 2009: Nil).

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

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$107,849,000 (six months ended 30 June 2009: approximately HK\$24,231,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

	2010 Unaudited	2009 Unaudited
<u>Number of shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,971,961,998	2,652,173,212
Effect on dilution – weighted average number of ordinary shares:		
Warrants	60,112,845	74,062,991
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>3,032,074,843</u>	<u>2,726,236,203</u>

The Company's share options have no dilutive effect for the six months ended 30 June in both 2009 and 2010 as the exercise price of the Company's share option was higher than the average market price of the shares in both periods.

9. Interests in associates

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

Name of associate	Proportion of issued capital held indirectly by the Company	Advances from the Group as at 30 June 2010 HK\$'000	Guarantees given by the Group HK\$'000
Firm Wise Investment Limited ("FWIL") (Note)	30%	9,576	396,000

Note: The advances are unsecured, interest bearing at 0.5% per annum, repayable on demand and subordinated to the bank loans of the associate. The guarantees given were to secure banking facilities granted to FWIL, of which approximately HK\$349,050,000 were utilized as at 30 June 2010. The banking facilities are due to be mature in November 2012. The advances to FWIL and guarantees given were used on refinancing an investment property, The Centrium, which is a Grade-A commercial building located in Central, Hong Kong.

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

	As at 30 June 2010 HK\$'000
Assets	<u>2,748,486</u>
Liabilities	<u>1,536,958</u>

10. Trade receivables

Trade receivables of approximately HK\$280,874,000 (31 December 2009: HK\$155,773,000), substantially with an aging within 6 months, are stated net of provision for impairment.

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

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

11. Trade payables

Trade payables of approximately HK\$369,852,000 (31 December 2009: HK\$281,474,000) are substantially with an aging within 6 months.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded revenue of HK\$1.1 billion and profit of HK\$107.7 million for the six months ended 30 June 2010. Comparing to the corresponding period in 2009, revenue and profit increased by 67% and 839% respectively.

Trading and Manufacturing

The trading and manufacturing segment is mainly represented by three principal subsidiaries, Wah Shing Toys, South China Shoes and Wah Shing Electronics. The segment registered a 69% increase in revenue to HK\$1.0 billion for the six months ended 30 June 2010. Due to the seasonal nature of this segment, higher revenues and operating profits are normally expected in the second half of the year than in the first six months. Wah Shing Toys however continued to grasp the opportunity when the toy manufacturing industry began to consolidate after the financial tsunami in late 2008. The performance of Wah Shing Toys in the first half of 2010 has been encouraging, as the revenue contributed by this business unit alone for this period has already surpassed the total revenue achieved by the whole trading and manufacturing segment in the first half of 2009.

In the first half of 2010, the trading and manufacturing segment recorded a profit of HK\$55.2 million, in contrast to a loss of HK\$1.5 million in the first half of 2009; which was largely contributed by Wah Shing Toys through new customer orders, efficiency enhancement and cost control. The turnaround in the segment was particularly commendable as the industry was faced with the headwinds of appreciating Renminbi, rising raw material prices and labour wages during the period.

Property Investment and Development

Investment properties

Revenue from the property investment segment increased by 25% to HK\$30.3 million for the six months ended 30 June 2010 compared to the corresponding period in 2009. The rental income from those subsidiaries in Nanjing improved substantially on renewal of the some past long-term tenancies and renting out unused factory spaces for office or commercial use. The segment reported a profit from operation of HK\$10.1 million, and recognised a fair value gain of total HK\$59.9 million for investment properties and investment properties held for sale during the period.

Our Group's share of the 30% owned principal associate that holds the Grade-A commercial building in Central Hong Kong, the Centrium, recorded a minor 3% increase in profit from operation to HK\$15.4 million. The overall unit rental rate increased whereas the occupancy rate dropped slightly due to some vacancy in between replacing new tenants. The Group's share of fair value change on the property (net of the corresponding deferred tax charge) was HK\$19.8 million. The contribution from this principal associate substantially accounted for the share of results of associate for the period.

Development properties

In August 2009, the Group distributed its interest in South China Land Limited 南華置地有限公司 ("SCL") by way of distribution in specie. SCL is a company principally engaged in property investment and development with its shares listed on the GEM Board of The Stock Exchange of Hong Kong Limited (stock code: 8155). Accordingly, the results of the property development projects in China held under SCL were no longer consolidated to the results of the Group for the six months ended 30 June 2010.

Agriculture

The Group has been actively expanding its acreage in farmland in recent years. In the first half of 2010, the Group entered into new leases for approximately 3,000 mu of agricultural land in Xian and Chongqing, the PRC

Revenue from the agriculture segment increased 263% to HK\$6.5 million for the first half of 2010. The increase in revenue was largely contributed by the agriculture operation in Xian. During the reporting period, the Group acquired more land in Xian to further expand its business. The newly acquired lands were mainly used to plant fruit trees, which is an agriculture operation at the initial stage of development.

The agriculture segment recorded a loss of HK\$7.6 million in the first half of 2010, which mainly reflects the high operating costs incurred at the new agriculture operation in Xian, owing in part to the need to ride the learning curve and in part due to adverse weather conditions during the period under review. Meanwhile, the agricultural operations in fish and crab rearing in Jiangsu, pig rearing in Cangzhou, winter-dates plants in Hebei and lychee plants in Guangzhou are still being developed and some of these operations are also affected by atypical weather conditions.

Liquidity and Financial Resources

As at 30 June 2010, the Group had a current ratio of 1.0 and a gearing ratio of 5.0% (31 December 2009: 1.0 and 5.5% respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK\$98.5 million to the Group's equity of HK\$1,966.0 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

Material Acquisitions and Disposals

During the six months ended 30 June 2010, the Group did not have any material acquisition and disposal.

Prospects

Trading and Manufacturing

The second half of 2010 will be challenging for export to the United States, in particular the businesses with manufacturing bases in China, given the disparity in pace of recovery between the United States and China. We expect inflationary pressure to continue to increase in China after its recovery from the financial tsunami. This is expected to lead to an increase in production costs for the manufacturing industry in China. We have already seen signs of increase in plastic prices in recent months. We continue to anticipate labour shortage and higher wages following the recovery of the Chinese economy.

We expect Wah Shing Toys to continue achieving encouraging results in the second half of this year as it has been active in securing customer orders to fill production capacity during its off-peak periods in order to minimize the traditional seasonality of the toy manufacturing industry. Wah Shing Toys is also planning to expand its production capacity in the lower cost region along the Guangdong Province of China in the near future.

South China Shoes is expected to sustain its steady growth in the second half of this year. It has already secured new orders from Canada and will further explore the European market in the remainder of this year. Its strong management team and long-term relationships with its customers will continue to cement its position in the industry. The Company is also studying the separate listing of South China Shoes.

Property Investment and Development

The Group has a property portfolio of more than 400,000 square meters in China and 300,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations, and offer strong redevelopment potential as their average plot ratio is below 1.0. The Company is carrying out feasibility studies on the redevelopment of various properties in order to maximize their return to shareholders.

In Nanjing, the Group's principal investment properties are located in prime commercial area. The street-front shops at Shi Zi Qiao (Lion Bridge), the traditional pedestrian/food street in Golou district in the centre of Nanjing city, are one of our hidden gems. Despite their niche over location, rental income generated from these shops is well below market rates at present. Given the location and the size of the site, we believe the buildings could soon be redeveloped into a large-scale shopping mall should a redevelopment plan be agreed with the government.

The 29,000 square meters site in Yuhuatai, Nanjing is currently being leased as a flower wholesale market. Likewise given its prime location, we envisage the redevelopment will soon take place once a formal agreement is reached with the government for residential development.

In Guangdong province, the Company is currently negotiating with the government to redevelop its lychee plantation in Zengcheng into a commercial/residential estate. This will be the first phase of the development of this enormous plantation, which is adjacent to Guangzhou's third ring road to be completed in 2011. The development of the plantation offers substantial upside potential in the long term as it is only 30 kilometers from Guangzhou city.

In Tianjin, the Company is evaluating the redevelopment potential of a number of industrial sites, in particular, a factory site near the metro station as a development plan is at mature stage for commercial use.

On the back of the recovery of the Hong Kong property market and the economy, the value of the Group's investment properties has further risen in the first half of 2010. We will continue to unload our non-core investment properties in Hong Kong in order to reallocate more resources to China.

Agriculture

The Company currently leased about 83,000 mu of agricultural land, fishpond and lake space in various provinces in China. We are focusing on the plantation of fruits such as dates, apples and melons for sale. Backed by the Central Government's support for the agricultural industry, we are optimistic about the prospect of our agriculture segment in view of the increasing demand for agricultural products and their rising selling prices. Hence, the Group will continue to expand its acreage. Upon realisation of the government's macro policies in commercializing massive rural land for constructive usage, substantial value could be unveiled from this huge agricultural land bank.

The master plan for Daguan Modern Agricultural Park in Nanchuan, Chongqing has been drawn. The project, covering an area of almost 20,000 mu, will include the construction of modern agricultural estates, agricultural related tourism centre, country parks and hot spring resorts.

For the new apple plantation in Xian, we are trying to reduce operating costs by alleviating various operational problems as we scale the learning curve and expect the start-up costs to be absorbed gradually as the plantation continues to develop. Our investment in this apple plantation is anticipated to yield a positive return in the short term.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010 with exception to code provision E.1.2 that the Chairman of the Board had not attended the annual general meeting of the Company.

According to code provision E.1.2 of the CG Code, the chairman of the board shall attend the annual general meeting to answer questions. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 May 2010. There were Executive Directors attending the annual general meeting in the absence of the Chairman to answer questions on the Group’s businesses at the meeting. The Directors believe that this was an exceptional incident and the Company will ensure future compliance with code provision E.1.2.

AUDIT COMMITTEE

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

The Group’s unaudited results for the six months ended 30 June 2010 have been reviewed by the audit committee.

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

Hong Kong, 24 August 2010

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