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 2013

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 2013 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2013	2012
			Unaudited and
		Unaudited	Restated
	Notes	**HK$'000**	HK$'000
Revenue	*2*	**975,355**	870,706
Cost of sales		**(884,308)**	(766,578)
Gross profit		**91,047**	104,128
Other income and gain, net		**20,850**	14,632
Selling and distribution costs		**(23,513)**	(16,823)
Administrative and operating expenses		**(177,481)**	(167,830)
Equity-settled share award expense		**(1,513)**	(1,278)
Loss on disposal of assets and investments, net	*3*	**(2,935)**	(64)
Changes in fair value of assets	*4*	**144,333**	93,984
Profit from operations	*2&5*	**50,788**	26,749
Finance costs		**(25,903)**	(40,904)
Impairment of advances to an associate		**(36)**	(26)
Share of profits and losses of associates		**239,288**	146,181
Profit before tax		**264,137**	132,000
Income tax expense	*6*	**(15,348)**	(13,072)
Profit for the period		**248,789**	118,928

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

		Six months ended 30 June	
		2013	2012
			Unaudited and
		Unaudited	Restated
	Note	**HK$'000**	HK$'000
Attributable to:			
Owners of the Company		**246,313**	116,245
Non-controlling interests		**2,476**	2,683
		248,789	118,928
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**HK8.4 cents**	HK3.9 cents
Diluted		**HK5.5 cents**	HK3.9 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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

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 ("HKICPA").

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2013, as disclosed in the annual financial statements for the year ended 31 December 2012. The adoption of these new or revised Hong Kong Financial Reporting Standards does not have significant impact on the Group's results of operations and financial position.

These interim financial statements should be read, where relevant, in conjunction with the 2012 annual financial statements of the Group.

1.1 Changes in accounting policies

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

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

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

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

1.2 Common control combination

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

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

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

1.2 Common control combination (continued)

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

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

1.2 Common control combination (continued)

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

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

1.2 Common control combination (continued)

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

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

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

2. Revenue and segmental information

An analysis of the Group's consolidated revenue and contribution to profit from operations by principal activity and geographical location for the six months ended 30 June 2013 and 2012 is as follows:

	Revenue		**Contribution to profit/ (loss) from operations**	
	Six months ended 30 June		**Six months ended 30 June**	
	2013	2012	**2013**	2012
	Unaudited	Unaudited and Restated	**Unaudited**	Unaudited and Restated
	HK$'000	HK$'000	**HK$'000**	HK$'000
By principal activity:				
Trading and manufacturing	**918,194**	812,298	**(33,496)**	(22,974)
Property investment and development	**48,804**	49,678	**141,814**	110,862
Agriculture and forestry	**8,357**	8,730	**(21,036)**	(16,305)
Investment holding	**-**	-	**(36,494)**	(44,834)
	975,355	870,706	**50,788**	26,749
By geographical location[#]:				
The People's Republic of China (the "PRC") including Hong Kong and Macau	**116,227**	140,636	**89,812**	56,658
United States of America	**494,166**	355,126	**(20,930)**	(16,964)
Europe	**180,468**	188,737	**(10,160)**	(7,708)
Japan	**15,011**	2,956	**(392)**	(329)
Others	**169,483**	183,251	**(7,542)**	(4,908)
	975,355	870,706	**50,788**	26,749

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

3. Loss on disposal of assets and investments, net

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

4. Changes in fair value of assets

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

5. Depreciation and amortisation

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

6. Tax

Income tax comprises current and deferred tax.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profit at rates of taxation prevailing in the countries in which the Group operates.

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

7. Interim dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$246,313,000 (six months ended 30 June 2012 (restated): approximately HK$116,245,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

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

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

9. Investments in associates

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

Name of associate	**Proportion of issued capital held indirectly by the Company**	**Guarantee given by the Group** HK$’000
Firm Wise Investment Limited (“FWIL”)	30%	579,600

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

10. Trade receivables

Trade receivables of approximately HK$354,410,000 as at 30 June 2013 (as at 31 December 2012: HK$185,958,000), substantially with an age within 6 months, are stated net of provision for impairment.

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

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

11. Trade payables

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

12. Share capital

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

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

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

13. Comparative amounts

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Trading and Manufacturing

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

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

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

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

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

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

Property Investment and Development

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

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

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

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

Agriculture and Forestry

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

MATERIAL ACQUISITION

As disclosed in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012, respectively, on 4 July 2012, Even Dragon Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a direct wholly-owned subsidiary of SCL (the "Vendor") whereby the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the sale shares, being the entire issued share capital in Splendor Sheen which holds the 80% interest in the Avenue of Stars (formerly known as Fortuna Plaza) through a subsidiary, at a consideration of approximately HK$1,589 million. Pursuant to the terms of the sale and purchase agreement, the deed to terminate the entrusted management agreement was signed by the relevant subsidiaries of the Company and SCL on the date of the sale and purchase agreement whereby the entrusted management agreement was terminated subject to and upon completion of the transaction contemplated under the sale and purchase agreement. The entrusted management agreement was entered into between an indirect wholly-owned subsidiary of the Company as grantee and a direct wholly-owned subsidiary of SCL as grantor in November 2011 whereby the exclusive right to manage the Avenue of Stars as a shopping mall was granted to the grantee at a basic fee of Rmb80 million per annum and, subject to the actual performance of the shopping mall operations, a performance fee determined with reference to net operating profit of the said operations. Further details about the entrusted management agreement were set out in the announcement and circular of the Company dated 2 November 2011 and 19 December 2011, respectively. As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen was completed on 16 January 2013.

EVENT AFTER THE REPORTING PERIOD

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

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

(b) the provisional agreement for sale and purchase for the disposal of Factory Unit B on the Ground Floor of Cheung Wah Industrial Building in Hong Kong for HK$121,400,000.

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

PROSPECTS

Trading and Manufacturing

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

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

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

Property Investment and Development

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

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

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

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

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

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

Agriculture and Forestry

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

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

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

During the six months ended 30 June 2013, the trustee of the Company's employees' share award scheme purchased a total of 3,368,000 shares of the Company at an aggregate consideration of approximately HK$2,575,000 pursuant to the terms of the rules and trust deed of the scheme. Other than that, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares during the period.

CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013 except that Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng") and Mr. Chiu Sin Chun ("Mr. Chiu") were unable to attend the annual general meeting of the Company held on 4 June 2013, which deviated from code provisions A.6.7 and E.1.2, since they had other business engagements. Ms. Jessica Ng, being a Non-executive Director of the Company, and Mr. Chiu, being an Independent Non-executive Director of the Company ("INED"), were not the chairmen of the Audit Committee and the Remuneration and Nomination Committee of the Company.

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 INEDs, namely Ms. Li Yuen Yu Alice (Chairman of the Committee), Mr. Chiu, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P.

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

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

Hong Kong, 27 August 2013

As at the date of this announcement, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Ng Yuk Fung Peter, Mr. Law Albert Yu Kwan and Mr. Yeung Kwong Sunny as executive directors; (2) Ms. Ng Yuk Mui Jessica as non-executive director; and (3) Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth, Ms. Li Yuen Yu Alice, Mr. Yip Dicky Peter, J.P., Dr. Leung Tony Ka Tung and Mr. Lau Lai Chiu Patrick as independent non-executive directors.