



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 265)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010

UNAUDITED INTERIM RESULTS

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

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2010	2009
		Unaudited	Unaudited
		and restated	
		HK\$'000	HK\$'000
	Notes		
CONTINUING OPERATIONS			
Revenue	3	105,196	82,708
Cost of sales		(51,768)	(39,097)
Gross profit		53,428	43,611
Interest income		45	63
Other income and gains		4,421	2,261
Selling and distribution costs		(3,691)	(4,545)
Administrative and operating expenses		(52,682)	(34,187)
Non-cash equity-settled share option expenses		(2,872)	(6,107)
Impairment of trade and other receivables		(1,200)	(1,200)
Loss on disposal of property, plant and equipment		(3)	–
Fair value (loss)/gain on financial assets at fair value through profit or loss	12	(18,582)	4,239
(Loss)/profit from operations	3	(21,136)	4,135
Finance costs		(2,502)	(1,360)
Share of profits and losses of associates		(1)	4
(Loss)/profit before tax	4	(23,639)	2,779
Income tax expense	5	(2,674)	(1,818)
(Loss)/profit for the period from Continuing Operations		(26,313)	961
DISCONTINUED OPERATIONS			
Profit for the period from Discontinued Operations	3 & 6	–	10,564
(Loss)/profit for the period		(26,313)	11,525
Attributable to:			
– Owners of the Company		(26,191)	19,651
– Non-controlling interests		(122)	(8,126)
		(26,313)	11,525
(Loss)/earnings per share attributable to owners of the Company	7		
– Basic			
(Loss)/profit for the period		HK(1.4) cents	HK1.1 cents
For (loss)/profit from continuing operations		HK(1.4) cents	HK0.1 cent

Details of the interim dividends paid and proposed are set out in note 6.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
(Loss)/profit for the period	<u>(26,313)</u>	<u>11,525</u>
Other comprehensive income for the period		
Changes in fair value on available-for-sale financial assets	(641)	33,127
Exchange differences on translation of foreign operations	<u>(17)</u>	<u>(211)</u>
Total comprehensive (loss)/income for the period	<u>(26,971)</u>	<u>44,441</u>
Attributable to:		
– Owners of the Company	(26,849)	52,622
– Non-controlling interests	<u>(122)</u>	<u>(8,181)</u>
Total comprehensive (loss)/income for the period	<u>(26,971)</u>	<u>44,441</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2010 Unaudited HK\$'000	As at 31 December 2009 Audited HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		16,474	17,892
Investment properties		25,000	25,000
Prepaid land lease payments	8	12,140	10,337
Interests in associates		719	720
Available-for-sale financial assets	9	37,014	37,655
Other non-current assets	10	26,616	26,616
Goodwill		5,568	5,568
Total non-current assets		123,531	123,788
Current assets			
Inventories		37,360	40,775
Trade and other receivables	11	260,756	180,287
Financial assets at fair value through profit or loss	12	49,395	67,977
Due from affiliates		673	–
Advances to non-controlling shareholders of subsidiaries		1,635	1,635
Pledged bank deposits		14,635	14,625
Cash and cash equivalents		40,302	58,007
Total current assets		404,756	363,306
Current liabilities			
Trade and other payables	13	204,590	170,780
Interest-bearing bank and other borrowings		87,811	105,187
Advances from non-controlling shareholders of subsidiaries		769	408
Due to affiliates		–	4,478
Tax payable		2,409	763
Total current liabilities		295,579	281,616
Net current assets		109,177	81,690
Total assets less current liabilities		232,708	205,478
Non-current liabilities			
Advances from shareholders		57,358	6,029
Deferred tax liabilities		2,499	2,499
Total non-current liabilities		59,857	8,528
Net assets		172,851	196,950
Equity			
Equity attributable to owners of the Company			
Issued capital		45,584	45,584
Reserves		91,754	115,731
Non-controlling interests		137,338	161,315
Total equity		35,513	35,635
		172,851	196,950

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Issued capital Unaudited <i>HK\$'000</i>	Other reserves Unaudited <i>HK\$'000</i>	Retained profits/ (accumulated loss) Unaudited <i>HK\$'000</i>	Attributable to owners of the Company Unaudited <i>HK\$'000</i>	Non- controlling interests Unaudited <i>HK\$'000</i>	Total equity Unaudited <i>HK\$'000</i>
	<i>Note</i>						
At 1 January 2010		45,584	87,657	28,074	161,315	35,635	196,950
Equity-settled share option arrangement		–	2,872	–	2,872	–	2,872
Total comprehensive loss for the period		–	(658)	(26,191)	(26,849)	(122)	(26,971)
At 30 June 2010		<u>45,584</u>	<u>89,871</u>	<u>1,883</u>	<u>137,338</u>	<u>35,513</u>	<u>172,851</u>
At 1 January 2009		45,584	538,483	794,164	1,378,231	602,255	1,980,486
Acquisition of non-controlling interest		–	–	–	–	(253)	(253)
Transfer to statutory reserve		–	639	(639)	–	–	–
Equity-settled share option arrangement		–	9,400	–	9,400	1,198	10,598
Dividend paid to non-controlling shareholders of subsidiaries		–	–	–	–	(9,664)	(9,664)
2008 final dividend		–	–	(2,006)	(2,006)	–	(2,006)
Effect on distribution in specie	6	–	(290,577)	(1,046,554)	(1,337,131)	(556,976)	(1,894,107)
Total comprehensive income for the period		–	32,971	19,651	52,622	(8,181)	44,441
At 30 June 2009		<u>45,584</u>	<u>290,916</u>	<u>(235,384)</u>	<u>101,116</u>	<u>28,379</u>	<u>129,495</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(47,565)	(95,202)
Net cash flows used in investing activities	(1,942)	(117,474)
Net cash flows from financing activities	<u>59,189</u>	<u>95,143</u>
Net increase/(decrease) in cash and cash equivalents	9,682	(117,533)
Cash and cash equivalents at beginning of period	<u>37,535</u>	<u>191,441</u>
Cash and cash equivalents at end of period	<u>47,217</u>	<u>73,908</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	40,302	58,816
Time deposits with original maturity of less than three months when acquired	14,635	15,092
Bank overdrafts	<u>(7,720)</u>	<u>–</u>
Cash and cash equivalents	<u>47,217</u>	<u>73,908</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

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 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. Restatement of comparative figures

As detailed in the 2009 Annual Report, the HKICPA issued some improvements to the Hong Kong Financial Reporting Standards in May 2009. Of this, an amendment to HKAS 18 was made for recognition of revenue. Under the new definition, the Group’s travel and related services operation in relating to the sales of air-tickets is treated as cash collected on behalf of the principal as an agent, and thus its revenue shall be recorded on net basis. In all the prior years, the Group has been recognising the revenue from the sales of air-tickets in gross amount. This policy is revised in the annual financial statements for the year ended 31 December 2009 and only the commission has been recognised as revenue. The comparative figures have been restated to conform to the 2010 interim financial statements’ presentation.

3. Revenue and segmental information

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered and gross rental income received and receivable from investment properties during the period.

An analysis of the Group's revenue and contribution to profit/(loss) from operations by principal activities and geographical location is as follows:

	Revenue		Contribution	
	Six months ended 30 June		to profit/(loss) from operations	
	2010	2009	2010	2009
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	and restated	HK\$'000	HK\$'000
		HK\$'000		
By principal activity:				
Continuing operations				
Travel and related services*	41,579	32,767	13,268	9,318
Information technology	49,292	41,639	(367)	(2,791)
Trading and manufacturing of jewellery	14,325	8,302	634	(267)
Forestry	—	—	(3,521)	—
Investment holding	—	—	(31,150)	(2,125)
	<u>105,196</u>	<u>82,708</u>	<u>(21,136)</u>	<u>4,135</u>
Discontinued operations				
Trading and manufacturing	—	598,008	—	2,706
Property investment and development	—	22,687	—	45,210
Agriculture and woods	—	1,789	—	(6,394)
Media and publications	—	10,989	—	(3,534)
Investment holding	—	—	—	(29,000)
	<u>—</u>	<u>633,473</u>	<u>—</u>	<u>8,988</u>
Total	<u>105,196</u>	<u>716,181</u>	<u>(21,136)</u>	<u>13,123</u>

* Please refer to Note 2 regarding the change in revenue recognition for sales of air-tickets to net basis in the 2009 annual report. Should the revenue be recognised in gross basis, the amount would be as follows:—

	Revenue	
	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Travel and related services	<u>1,271,751</u>	<u>845,642</u>

	Revenue		Contribution	
	Six months ended 30 June		to profit/(loss) from operations	
	2010	2009	2010	2009
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	and restated HK\$'000	HK\$'000	HK\$'000
By geographical location [#] :				
The People's Republic of China ("PRC", including Hong Kong and Macau)	105,196	170,904	(21,136)	16,032
United States of America	—	376,036	—	1,183
Europe	—	87,992	—	(3,221)
Japan	—	3,301	—	(201)
Others	—	77,948	—	(670)
	<u>105,196</u>	<u>716,181</u>	<u>(21,136)</u>	<u>13,123</u>

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

4. (Loss)/profit before tax

For the period ended 30 June 2010, (loss)/profit before tax is arrived at after charging depreciation of approximately HK\$2,185,000 (six months ended 30 June 2009: HK\$1,574,000) in respect of the Group's properties, plants and equipments and amortisation of approximately HK\$100,000 in respect of the Group's prepaid land lease payments.

5. Income tax expense

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 profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

6. Profit for the period from Discontinued Operations and interim dividend distribution

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Special interim distribution, declared and paid [#]	<u>—</u>	<u>1,552,809</u>
Interim dividend	<u>—</u>	<u>—</u>

[#] In June 2009, the Group distributed its interest in South China (China) Limited *Stock Code 413* ("SCC"), representing approximately 72.88% of SCC's issued share capital, by way of distribution in specie. At the date of distribution, SCC was a company principally engaging in trading and manufacturing of toys, shoes, leather product, motors and capacitors, magazine publishing business, property investment and development and agriculture and woods with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group paid a special dividend distribution to the then shareholders in specie on the basis of 106 SCC shares and 21 SCC warrants for every 100 shares held by the shareholders on 19 June 2009. The aggregate fair value of SCC shares and SCC warrants distributed was amounted to HK\$1,552,809,000.

After the completion of the above transaction, SCC was no longer a subsidiary of the Company since then. Accordingly, the Company ceased to consolidate SCC and its subsidiaries in the Company's consolidated financial statements from then on. The results of SCC for the period ended 19 June 2009 was thus classified as "Discontinued Operations".

7. (Loss)/earnings per share attributable to owners of the Company

The calculation of basic (loss)/earnings per share is based on:

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic (loss)/earnings per share calculation:		
From continuing operations	(26,191)	2,444
From discontinued operations	—	17,207
	(26,191)	19,651
Shares		
Number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculation	1,823,401,376	1,823,401,376

Diluted (loss)/earnings per share is not presented for both periods as there was no diluting event during the periods.

8. Prepaid land lease payments

The leasehold land is held under medium term leases and is situated in Mainland China.

9. Available-for-sale financial assets

They include the shares held by the Group in SCC of approximately HK\$36.6 million as at 30 June 2010.

10. Other non-current assets

They include investments in lands in Panyu, Guangzhou (廣州番禺) and Tanggu, Tianjin (天津塘沽) in the PRC.

11. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of HK\$199,967,000 (31 December 2009: HK\$133,492,000). The Group's trading terms with its customers are on credit with credit period ranging from period of one to three months (31 December 2009: one to three months), depends 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 minimize credit risk. Overdue balances are reviewed regularly by the senior management and would be handled closely by the credit control department.

An aging analysis of trade receivables as at the end of the reporting period on invoice date is as follows:

	As at 30 June 2010	As at 31 December 2009
	Unaudited	Audited
	HK\$'000	HK\$'000
Within 90 days	186,987	125,218
91 to 180 days	5,845	8,049
181 to 365 days	6,232	225
Over 365 days	903	—
	199,967	133,492

12. Financial assets at fair value through profit or loss

They include the shares held by the Group in South China Financial Holdings Limited *Stock Code 619* and South China Land Limited *Stock Code 8155*.

13. Trade and other payables

Included in trade and other payables of the Group are trade payables of HK\$146,608,000 (31 December 2009: HK\$129,022,000) and their aging analysis based on invoice date is as follows:

	As at 30 June 2010 Unaudited HK\$'000	As at 31 December 2009 Audited HK\$'000
Within 90 days	141,067	125,365
91 to 180 days	669	137
181 to 365 days	2,956	3,391
Over 365 days	1,916	129
	146,608	129,022

The trade payables are non-interest-bearing and normally settled on 15 to 90 days' terms (31 December 2009: 15 to 90 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of HK\$105.2 million and a loss of HK\$26.3 million for the six months ended 30 June 2010. The loss was mainly attributed to a fair value loss amounted to HK\$18.6 million on financial assets at fair value through profit or loss for the six months ended 30 June 2010 and professional fees amounted to HK\$7.8 million incurred for the disputes of a piece of land in China.

Travel and Related Services

Four Seas Travel recorded a turnover of HK\$41.6 million and a profit of HK\$13.3 million for the six months ended 30 June 2010, representing increases of 26.9% and 42.4% respectively compared to the corresponding period in 2009. The increase in turnover was mainly attributed to the recovery of the global travel industry and growth of our travel business in China. Ever since the financial tsunami, most global corporations had started looking for travel agents to provide high quality services at reasonable prices. This provided ample business opportunities for Four Seas Travel, enabling it to expand its event management and related travel services by enlarging its global corporate client base in both the local and China markets during the period under review.

Information Technology

The IT segment reported a turnover of HK\$49.3 million for the six months ended 30 June 2010, representing a 18.4% increase over the corresponding period in 2009. Our IT operations comprises system integration, software development and supply chain system development and are mainly located in Chongqing, China. The IT operations in the Mainland China recorded a loss of HK\$0.4 million for the period under review (2009: Loss of HK\$2.8 million).

Trading and Manufacturing

The trading and manufacturing operation is located in Nanjing, China and is engaged in producing jewelry from precious stones, jade, gold and silver. Our products are distributed and sold at counters in sizable departmental stores and through our own flagship shop in the city of Nanjing. The operation generated a turnover of HK\$14.3 million and a profit of HK\$0.6 million during the six months ended 30 June 2010.

Forestry

The Group had acquired approximately 216,000 mu of woodlands for forest plantation in Chongqing and Wuhan. The management sees great demand for timber and market potential in China and believes that the acquisition will bring the Group opportunities to tap into the mainland forestry industry in the long term.

Liquidity and Financial Resources

As at 30 June 2010, the Group had a current ratio of 1.37 and a gearing ratio of 0% (31 December 2009: 1.29 and 0% respectively). The gearing ratio was computed by comparing the Group's total long-term bank borrowings to total equity. As at 30 June 2010 and 31 December 2009, the Group had no long-term bank borrowings. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

Exposure to Fluctuations in Exchange Rates and Related Hedges

During the six months ended 30 June 2010, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

Capital Structure

The Company had no other debt securities or capital instruments as at 30 June 2010 and up to the date of this report.

Material Acquisitions and Disposals

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

Pledges of Assets, Contingent Liabilities and Commitments

There was no material change in the Group's pledges of assets, contingent liabilities and commitment as compared to the most recently published annual report.

Employees

As at 30 June 2010, the total number of employees of the Group was approximately 720 (31 December 2009: 644).

Prospects

Four Seas Travel will continue its business development in the China market. At present, it has already established five branches in major cities in Mainland China. The operation in China has contributed more than 10% of Four Seas Travel's turnover during the period under review. Four Seas Travel will continue to upgrade its computer system, including fare searching, online booking and performance reporting in order to improve its competitiveness in the market place. With the steady growth of a global client base and equipped with advanced information tools, Four Seas Travel has already witnessed the benefits from the recovery of the tourism industry in 2010.

Meanwhile, we expect our IT segment to continue to show improvement.

We are in the progress of expanding our forestry segment and plan to increase our portfolio significantly by the end of 2010. The management believes that the forestry segment will contribute significantly to profits in the coming years due to the strong demand for timber in China for flooring, furniture and construction.

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).

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 2010, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, 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"), were as follows:

The Company

(i) Long positions in shares

Name of Director	Capacity and number of shares		Total number of ordinary shares	Approximate percentage of shareholding
	Beneficial owner	Interest of controlled corporations		
Ng Hung Sang ("Mr. Ng")	71,652,200	1,272,529,612 (Note a)	1,344,181,812	73.72%
Richard Howard Gorges ("Mr. Gorges")	–	487,949,760 (Note a)	487,949,760	26.76%
Cheung Choi Ngor ("Ms. Cheung")	–	487,949,760 (Note a)	487,949,760	26.76%

(ii) Long positions in underlying shares

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	18,000,000 (Note b)	0.99%
Ms. Cheung	Beneficial owner	18,000,000 (Note b)	0.99%
Ng Yuk Fung, Peter	Beneficial owner	18,000,000 (Note b)	0.99%
Ng Yuk Mui, Jessica	Beneficial owner	18,000,000 (Note b)	0.99%

Notes:

- (a) The 1,272,529,612 shares of the Company held by Mr. Ng through controlled corporations include 371,864,000 shares held by Parkfield Holdings Limited ("Parkfield"), 396,050,252 shares held by Fung Shing Group Limited ("Fung Shing"), 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"), 237,303,360 shares held by Bannock Investment Limited ("Bannock") and 250,646,400 shares held by Earntrade Investments Limited ("Earntrade"). Parkfield, Fung Shing and Ronastar are all wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr. Ng, Mr. Gorges and Ms. Cheung were deemed to have an interest of totally 487,949,760 shares held by Bannock and Earntrade.
- (b) Please refer to details set out in section headed "Share Option Scheme".

Save as disclosed above, none of the Directors or Chief Executives of the Company as at 30 June 2010 had registered any interest 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 which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, the following persons, other than the Directors and Chief Executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long position in shares

Name of Shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of a controlled corporation	487,949,760 (Note)	26.76%
Bannock	Beneficial owner	237,303,360 (Note)	13.01%
Parkfield	Beneficial owner	371,864,000	20.39%
Fung Shing	Beneficial owner	396,050,252	21.72%

Note: Bannock is a wholly-owned subsidiary of Earntrade. The 487,949,760 shares in the Company held by Earntrade include 237,303,360 shares held by Bannock directly.

Save as disclosed above, as at 30 June 2010, no person, other than the Directors or Chief Executives of the Company whose interests are set out in the section "Directors' and Chief Executives' interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation", had registered any interests or short positions in the shares or underlying shares of the Company as recorded in the register which was required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's existing share option scheme was adopted on 31 May 2002. Particulars and movements of the outstanding share options granted under the share option scheme of the Company during the six months ended 30 June 2010 were as follows:

Name or category of participants	Number of share options						Outstanding as at 30 June 2010	Date of grant of share options (DD/MM/YYYY) (Note 2)	Exercise period of share options (DD/MM/YYYY)	Exercise price per share HK\$ (Note 3)
	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Re-classified (Note 1)				
Directors										
Cheung Choi Ngor	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Richard Howard Gorges	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Ng Yuk Mui, Jessica	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Ng Yuk Fung, Peter	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	-	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	72,000,000	-	-	-	-	-	72,000,000			
Employees										
In aggregate	6,000,000	-	-	-	-	(5,800,000)	200,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	(5,800,000)	200,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	(5,800,000)	200,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	18,000,000	-	-	-	-	(17,400,000)	600,000			
Others										
In aggregate	3,599,999	-	-	(200,000)	-	5,800,000	9,199,999	18/09/2007	18/09/2008 – 17/09/2017	2.00
	3,600,000	-	-	(200,000)	-	5,800,000	9,200,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	3,600,001	-	-	(200,000)	-	5,800,000	9,200,001	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	10,800,000	-	-	(600,000)	-	17,400,000	27,600,000			
Total	100,800,000	-	-	(600,000)	-	-	100,200,000			

Notes:

- Due to internal re-organisation, certain employees and other participants holding options under the Share Option Scheme had been re-classified. Consequently, 18,000,000 options were re-classified from "Employees" to "Others" and 600,000 options from "Others" to "Employees".
- All share options granted are subject to a vesting period and become exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage %
Within 12 months	Nil
13th month – 24th month	not more than $33\frac{1}{3}$
25th month – 36th month	not more than $66\frac{2}{3}$
37th month – 120th month	100
- The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

No share options have been granted, exercised or cancelled during the six months ended 30 June 2010. The Company recognized a share option expense of HK\$2,872,000 (2009: HK\$6,107,000) during the period ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period 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 PRACTICES

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 did not attend the annual general meeting of the Company.

According to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting to answer questions at the meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 May 2010. There are 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period.

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 Mr. Cheng Hong Kei (Committee Chairman), Mr. David John Blackett and Mrs. Tse Wong Siu Yin, Elizabeth and one Non-executive Director namely Mr. David Michael Norman.

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 Holdings Limited
Ng Hung Sang
Chairman

Hong Kong, 24 August 2010

As at the date of this report, the Directors of the Company are (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung, Peter as executive directors; (2) Ms. Ng Yuk Mui, Jessica and Mr. David Michael Norman as non-executive directors; and (3) Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei as independent non-executive directors.