SOUTH CHINA (CHINA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

GROUP RESULTS

The Board of Directors (the "Board") of South China (China) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2007 HK$'000**	2006 HK$'000 (Restated)
Turnover	*3*	**2,113,362**	2,070,954
Cost of sales		**(1,811,798)**	(1,823,261)
Gross profit		**301,564**	247,693
Other income and gains		**48,158**	23,405
Gain on disposal of investments and others	*4*	**103,444**	264,220
Selling and distribution costs		**(40,288)**	(42,759)
Administrative expenses		**(282,254)**	(239,315)
Changes in fair value of assets	*5*	**105,630**	59,682
Profit from operations	*3*	**236,254**	312,926
Finance costs		**(24,560)**	(27,261)
Share of profits and losses of associates		**191,590**	35,704
Profit before tax		**403,284**	321,369
Tax	*6*	**2,857**	(15,607)
Profit for the year from continuing operations		**406,141**	305,762
Discontinued operations			
Profit for the year from discontinued operations		**7,882**	18,817
Profit for the year		**414,023**	324,579
Attributable to:			
Equity holders of the Company		**413,820**	333,587
Minority interests		**203**	(9,008)
		414,023	324,579

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
Dividend			
Interim dividend paid		**26,517**	-
Proposed final dividend		**26,519**	29,699
		53,036	29,699
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic			
- For profit for the year		**15.6 cents**	12.6 cents
- For profit from continuing operations		**15.3 cents**	11.9 cents
Diluted			
- For profit for the year		**14.6 cents**	**-**
- For profit from continuing operations		**14.3 cents**	**-**

CONSOLIDATED BALANCE SHEET

	As at 31 December	
	2007	2006
	HK$'000	HK$'000
		(Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**235,052**	305,676
Investment properties	**1,122,341**	819,146
Prepaid land lease payments	**20,027**	30,955
Construction in progress	**263,444**	208,737
Interests in associates	**303,617**	310,762
Biological assets	**71,000**	65,000
Available-for-sale financial assets	**38,169**	36,554
Other non-current assets	**16,666**	16,666
Goodwill	**3,384**	21,445
Deferred tax assets	**-**	6,989
Total non-current assets	**2,073,700**	1,821,930
CURRENT ASSETS		
Inventories	**262,966**	353,429
Trade receivables	**135,711**	269,299
Prepayments, deposits and other receivables	**141,022**	119,294
Financial assets at fair value through profit or loss	**54,513**	49,548
Due from related parties	**256,202**	44,600
Tax recoverable	**1,855**	5,812
Pledged bank deposits	**-**	11,880
Cash and bank balances	**162,235**	254,983
	1,014,504	1,108,845
Non-current assets classified as held for sale	**-**	53,300
Total current assets	**1,014,504**	1,162,145
CURRENT LIABILITIES		
Trade and bills payables	**267,634**	510,272
Other payables and accruals	**174,433**	257,959
Interest-bearing bank and other borrowings	**352,550**	303,595
Due to related parties	**32,354**	-
Tax payable	**21,545**	33,631
Total current liabilities	**848,516**	1,105,457
NET CURRENT ASSETS	**165,988**	56,688
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,239,688**	1,878,618

	As at 31 December	
	2007	2006
	HK$'000	HK$'000
		(Restated)
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**181,134**	133,834
Advances from related parties	**51,576**	60,380
Other non-current liabilities	**41,259**	32,601
Promissory notes	**95,959**	-
Deferred tax liabilities	**134,112**	132,076
Deemed consideration for acquisition of subsidiaries under merger accounting	**-**	122,121
Total non-current liabilities	**504,040**	481,012
Net assets	**1,735,648**	1,397,606
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**53,038**	53,033
Reserves	**1,562,238**	1,220,882
Proposed final dividend	**26,519**	29,699
	1,641,795	1,303,614
Minority interests	**93,853**	93,992
Total equity	**1,735,648**	1,397,606

Notes:

1. Principal accounting policies and basis of preparation

The accounting policies and basis of preparation adopted in these financial statements are generally consistent with those adopted in the Group's audited 2006 annual financial statements. The changes in accounting policies as required by accounting standards which came into effect during the year do not have any significant impact on the Group's financial statements.

2. Merger accounting

During the year, the Group

(i) disposed of certain businesses, including the travel business and information and technology business, to South China Holdings Limited ("SCH") and acquired certain businesses, namely the investment holding of berth, club debentures and the investment property holding businesses (the "Acquired Business") from SCH in return.

As the Company and SCH are ultimately controlled by the substantial shareholder of the Company, the acquisition should be regarded as a business combination under common control. As such the financial statements of the Group have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG5") issued by the Hong Kong Institute of Certified Public Accountants as if the acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, fair value adjustments on respective properties have been recognised in accordance with the accounting policies of the Group in the years in which the fair value changes arose; and

(ii) acquired 67.69% equity interest in South China Land Limited (the "SCL") from a substantial shareholder who is also a director of the Company.

Same as (i) above, the Company and SCL are ultimately controlled by the substantial shareholder of the Company before and after the acquisition. As such, the acquisition has been accounted for by merger accounting in accordance with AG5. However, the directors considered that the comparative figures of SCL are insignificant to the comparative figures of the Group and restatement of comparative figures to account for the retrospective effect of this business combination under common control has no significant benefit to the readers. Accordingly, no restatement of comparative figures in relation to the acquisition of SCL has been made in these financial statements.

3. Revenue and segmental information

Revenue, which is also the Group's turnover, 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 year.

An analysis of the Group's turnover and contribution to profit/(loss) from operations by principal activity is as follows:

	Turnover		**Contribution to profit/(loss) from operations**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)
Continuing operations				
Trading and manufacturing	**2,072,032**	2,049,023	**75,761**	45,167
Property investment and development	**39,931**	20,667	**142,400**	71,343
Agriculture and woods	**1,399**	1,264	**125**	(1,520)
Investment holding	**-**	-	**17,968**	197,936
	2,113,362	2,070,954	**236,254**	312,926
Discontinued operations				
Travel business	**1,481,589**	1,908,586	**25,177**	25,428
Information technology	**40,683**	72,050	**(2,033)**	(793)
	1,522,272	1,980,636	**23,144**	24,635
Loss on disposal of discontinued operations	**-**	-	**(9,678)**	-
	3,635,634	4,051,590	**249,720**	337,561

4. Gain on disposal of investments and others

	2007	2006
	HK$'000	HK$'000
Gain on disposal of interests in subsidiaries	**65,956**	-
Excess over the cost of business combinations and acquisition of minority interests	**-**	241,308
Gain on disposal of financial assets at fair value through profit or loss	**25,007**	5,508
Gain on disposal of available-for-sale financial assets	**9,912**	504
Gain on disposal of investment properties	**-**	5,280
Write-back of impairment of items of property, plant and equipment	**2,569**	11,620
	103,444	264,220

5. Changes in fair value of assets

	2007	2006
	HK$'000	HK$'000
		(Restated)
Fair value gain on investment properties	**103,603**	57,417
Fair value gain on biological assets	**6,217**	3,664
Fair value loss on financial assets at fair value through profit or loss	**(4,190)**	(1,399)
	105,630	59,682

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. 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.

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

The calculation of basic and diluted earnings per share are based on:

	2007	2006
	HK$'000	HK$'000
		(Restated)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation		
From continuing operations	405,494	315,802
From discontinued operations	8,326	17,785
	413,820	333,587
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,651,734,214	2,651,673,710
Effect of dilution – weighted average number of ordinary shares:		
Warrants	176,717,743	-
	2,828,451,957	2,651,673,710

The Company's share options have no dilution effect for the year ended 31 December 2007 as the exercise price of the Company's share options was higher than the average market price of the shares for the year ended 31 December 2007.

Diluted earnings per share amounts for the year ended 31 December 2006 had not been disclosed as there were no warrant and share options issued in 2006.

The weighted average number of shares for both years for the purpose of calculating the basic and diluted earnings per share have been adjusted to reflect the effect of share subdivision as set out in the section headed "Subdivision and issue of bonus warrants".

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK$2.1 billion and profit attributable to the equity holders of the Company of HK$413.8 million for the year ended 31 December 2007, representing an increase of 24% in profits over the results in 2006.

Corporate Restructuring

In the year 2007, the Company was renamed and its principal businesses were restructured. South China Industries Limited now becomes **South China (China) Limited** to better reflect our business strategy, direction and plan for its future development, in particular in the PRC.

The travel business and information and technology business were segregated from the Group and transferred to its holding company group. The decrease in turnover and certain assets and liabilities during the past year were the result of the disposal of these two non-core former business segments. This restructure will allow the Group to become more focus and to concentrate and foster its resources and expertise in three major segments of trading and manufacturing, property investment and development, and agriculture and woods.

The major changes also included the acquisition of a majority shareholding in the listed company **South China Land Limited** ("SCL"). At present, SCL holds an 80% equity interest in a joint venture that owns a property development project in Shenyang, which was previously injected from the Group. The acquisition of the controlling stake in SCL will allow the Company to capitalise the great potential of the Shenyang property project and will offer great value to its shareholders. We believe the acquisition also serves the purpose of streamlining the investment activities of the Group and SCL, with the latter to focus solely on property development activities in the PRC.

Overall, the general business environment for the year 2007 was favourable to the Group with the exception of those business units with exposure to foreign exchange risk, the Group managed to record satisfactory growth in turnover and improvement in results for all business units.

Trading and Manufacturing

The segment recorded a turnover of HK$2.1 billion and an operating profit of HK$75.8 million, an increase of 68% as compared to HK$45.2 million in 2006. The increase in profit was mainly resulted from the disposal of a loss making listed subsidiary, Nority International Group Limited ("NIG") in early last year, for which the Group no longer shared its losses in the year 2007. The Group realised a gain on disposal of approximately HK$65.8 million and maintained 35% interest in a subsidiary of NIG engaging in shoe manufacturing, which was then accounted for as an associate of the Group in 2007.

Our OEM toy manufacturing business continues to suffer from the adverse market conditions facing every manufacturer in the Mainland who exports. The adverse factors including rising labour costs and appreciation of the Renminbi currency which affects the costs of production. Although we managed to maintain similar levels of annual turnover at around HK$1.5 billion in 2007 as in the previous year, our increased prices could only marginally offset the continuing appreciation of the Renminbi and increase in raw material costs. Our shoes manufacturing business in Tianjin recorded over 30% increase in turnover, but had a slight decrease in profit. The Group's other smaller size trading and manufacturing operations in Nanjing and Tianjin focused on domestic sales recorded an increase in turnover in general.

Property Investment and Development

Our rental portfolio reported a gross rental income of HK$39.9 million, an increase of 93% as compared to 2006; and a revaluation gain of HK$103.6 million in 2007. The increase in rental income was partly attributable to rental revision and to the additional contribution from the investment properties in Nanjing as a result of the increase in our controlling stake in some joint ventures that hold sizable sites in the prime retail district in Nanjing; and partly from acquisition of some investment properties from the holding company group in Hong Kong. Our Hong Kong property portfolio held for lease also recorded a double-digit growth in rental income.

SCL's interest in the property development project named as "South China Landmark Plaza", is to build a landmark shopping complex in the central commercial district of Shenyang with gross retail rental floor area of approximately 117,200 square metres. The project concept design has been accepted by the local City Planning Bureau. The project is strategically located only 50 metres from the main train station in Zhong Jie which is now in progress of construction. A tender has already been submitted for an underground direct connection with this Shenyang's first mass transit railway. The initial soldier piles and excavation works have been completed for laying the foundation for full scale construction in the second quarter of 2008.

During the year, SCL also signed a 400,000 square metres area re-location and re-development agreement with the government of the Tianjin-Bohai Coastal Economic Development Area. After redevelopment, it is expected that the project will deliver one million square metres of saleable floor area. The first phase of the development on relocating work has been commenced.

Agriculture and Woods

The agriculture and woods business is in the incubation stage of development and reported an operating loss of HK$6.1 million. However, the Group enjoyed a fair value gain on biological assets of HK$6.2 million in 2007. The three existing agricultural operations in Guangdong, Jiangsu and Hebei remain largely at its investment stage. During the year, we expanded to the Chongqing region of the PRC with a primary focus on the forestry business. It is expected that the agricultural operations will bring new business opportunities to the Group in view of the increasing demand for agricultural produce in the Mainland.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year,

(1) the Group disposed of its entire 95.35% interest in NIG to an independent third party at a consideration of HK$105.4 million;

(2) the Group disposed of its entire interest in Praise Rich Limited together with the debts assigned to SCL, a related company of the Group, at an aggregate consideration of HK$800 million;

(3) the Group acquired certain fellow subsidiaries which hold investment properties located in Hong Kong and the berths and membership debentures of a golf and country club in Hong Kong at a consideration of HK$122.1 million in exchange for its entire interest in travel and information technology businesses disposed of and cash payment to a fellow subsidiary of the Company at the same consideration; and

(4) the Group acquired 67.69% of the issued share capital of SCL at a consideration of approximately HK$96 million.

SUBDIVISION AND ISSUE OF BONUS WARRANTS

At an extraordinary general meeting of the Company held on 21 August 2007 (the "EGM"), ordinary resolutions were passed to approve (i) the subdivision of each of the issued and unissued shares of HK$0.10 in the capital of the Company into 5 shares of HK$0.02 each (the "Subdivided Shares"); and (ii) change of board lot size to 8,000 Subdivided Shares; and (iii) bonus issue of warrants to subscribe the Subdivided Share at the initial exercise price of HK$0.40. The share subdivision and the change of board lot size took effect from 22 August 2007 and the bonus issue of warrants commenced dealings on 7 September 2007.

PROSPECTS

Trading and Manufacturing

The US economic slump will probably affect the export sales of the Group's trading and manufacturing operations during 2008. The current environment is very challenging and not expected to get better in the short run. Adverse trends in currency, material prices, and transportation will continue, while the eventual total impact of the new PRC labour contract laws on the factory's labour costs remains to be seen. We will focus on price adjustments and operational efficiency to maintain our profit margin for the foreseeable future.

Property Investment and Development

The retail site in Nanjing main shopping district is in the process of a revamp its current rental mix to tap its full development potential. Rental income is expected to improve significantly in the near future. On the one hand, our property redevelopment projects intend to achieve the unlocking the commercial hidden potential of our Nanjing property sites, and on the other hand, we shall endeavour to increase our total landbank portfolio size by completing acquisition of additional controlling stakes in our other joint ventures that own valuable land bank in Nanjing with high commercial value.

The outlook for property development projects in the PRC remains positive despite the overall slow down of the property market recently. Our shopping complex in Shenyang and our prime commercial sites in Nanjing will benefit from the increasing demand for central retail space. The projects acquired in Tianjin-Hebei are also very promising because of the high growth potential in the region.

In addition to the Shenyang project, SCL is actively accumulating land parcels in Tianjin-Bohai, Chongqing, Shenyang and other rapid development regions in the Mainland.

Our Hong Kong rental portfolio will benefit from the improving market conditions, and is expected to increase moderately this year.

Agriculture and Woods
In addition to the recent expansion of our agricultural operation into Chongqing, we are also seeing to expand acreage in Jiangsu and Hebei. On the business side, apart from developing the forestry plantation in Chongqing, the management's focus will be on replicating the successful pig rearing model in Hebei in light of rising pork prices as well as exploring a new revenue source in agricultural wholesale markets.

Agriculture and woods and animal husbandry will be a main growth direction in the foreseeable future as we continue to expand our current portfolio of farmlands and woodlands. We are confident in our ability to acquire large parcels of agricultural lands at a relatively low cost. Thus, our focus will be to accelerate the pace of accumulation of suitable acreage during the current year.

We believe the asset value of our substantial land bank and property portfolio in the Mainland will positively and significantly appreciate with the continuing upward revaluation of Renminbi and the strong economy.

In all, each business is expected to report growth in the year 2008. The restructuring of the Group in the three core businesses will bring a clearer picture of the Group's core business activities to its investors and such business rationalization would land a good foundation for the Group to deliver continued progress for each three sectors.

FINAL DIVIDEND

The directors recommends the payment of a final dividend of HK1.0 cent (2006: HK1.12 cents) per share, which amounted to approximately HK$26.5 million (2006: HK$29.7 million) in respect of the year ended 31 December 2007 to the shareholders whose names appear on the register of members of the Company on 20 May 2008. This, together with the interim dividend of HK1.0 cent per share paid on 18 October 2007, will give a total dividend of HK2.0 cents per share for the whole year.

Subject to the approval by the shareholders of the final dividend at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 6 August 2008.

CLOSURE OF REGISTER FOR ENTITLEMENT TO FINAL DIVIDEND

The register of members of the Company will be closed from 14 May 2008 to 20 May 2008, both days inclusive, during which period no share transfers will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates of the Company, or in the case of warrantholders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 13 May 2008.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007 with exception (i) to code provision A.4.1 that non-executive directors of the Company were not appointed for a specific term; and (ii) to code provision A.4.2 that the Articles of Association of the Company did not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment.

In order to comply with the code provision A.4.2 of CG Code, a special resolution was passed at the annual general meeting of the Company on 22 May 2007 to amend the Articles of Association of the Company, inter alia, to the effect that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all newly appointed directors should be subject to re-election by shareholders at the first general meeting of the Company after their appointment.

All the directors of the Company (the "Directors") are subject to the retirement by rotation in accordance with the Company's Articles of Association. Each of the non-executive Directors has agreed and confirmed in writing with the Company that his term of appointment is three years commenced from the date of his last re-election by the shareholders at the annual general meeting. As such, the Board considers that code provision A.4.1 of the CG Code of the Listing Rules is complied.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The principal duties of the audit committee include the review of the Group's audit plan and process with the Auditors, the independence of the Auditors, the Group's financial statements and system of internal control. 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 annual results for the year ended 31 December 2007 were reviewed by the audit committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

On behalf of the Board
Ng Hung Sang
Chairman

Hong Kong, 15 April 2008

As at the date of this announcement, the Board comprises (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.