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 2008

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 2008 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2008 HK$'000**	2007 HK$'000
Turnover	*3*	**1,934,033**	2,113,362
Cost of sales		**(1,667,552)**	(1,811,798)
Gross profit		**266,481**	301,564
Other income and gains		**12,915**	46,078
(Loss) / gain on disposal of assets and investments	*4*	**(227)**	105,524
Excess over the cost of business combinations	*5*	**172,831**	-
Selling and distribution costs		**(33,329)**	(40,288)
Administrative and operating expenses		**(272,928)**	(269,517)
Non-cash equity share option expense provision		**(21,533)**	(12,737)
Changes in fair value of assets	*6*	**10,063**	105,630
Profit from operations	*3*	**134,273**	236,254
Finance costs		**(21,015)**	(24,560)
Share of profits and losses of associates		**(724)**	202,090
Impairment of advances to an associate	*7*	**(28,306)**	(10,500)
Profit before tax	*8*	**84,228**	403,284
Tax	*9*	**(17,910)**	2,857
Profit for the year from continuing operations		**66,318**	406,141
Profit for the year from discontinued operations		**-**	*7,882*
Profit for the year		**66,318**	414,023

	Notes	2008 HK$'000	2007 HK$'000
Attributable to:			
Equity holders of the Company		**78,004**	413,820
Minority interests		**(11,686)**	203
		66,318	414,023
Dividends			
Interim dividend paid		**-**	26,517
Proposed final dividend		**2,122**	26,519
		2,122	53,036
Earnings per share attributable to ordinary equity holders of the Company	*10*		
Basic			
- For profit for the year		**HK2.9 cents**	HK15.6 cents
- For profit from continuing operations		**HK2.9 cents**	HK15.3 cents
Diluted			
- For profit for the year		**HK2.8 cents**	HK14.6 cents
- For profit from continuing operations		**HK2.8 cents**	HK14.3 cents

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December **2008** **HK$'000**	 2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**258,263**	235,052
Investment properties		**1,619,673**	1,122,341
Prepaid land lease payments		**48,323**	20,027
Construction in progress	*11*	**27,279**	263,444
Interests in associates		**297,827**	303,617
Biological assets		**84,904**	71,000
Available-for-sale financial assets		**44,281**	38,169
Other non-current assets		**21,549**	16,666
Goodwill		**5,514**	3,384
Total non-current assets		**2,407,613**	2,073,700
CURRENT ASSETS			
Properties under development	*11*	**448,734**	-
Inventories		**296,979**	262,966
Trade receivables	*12*	**171,092**	135,711
Prepayments, deposits and other receivables		**79,216**	141,022
Financial assets at fair value through profit or loss		**10,945**	54,513
Due from a minority shareholder of a subsidiary		**25,845**	12,561
Due from affiliates		**-**	243,641
Tax recoverable		**5,015**	1,855
Cash and bank balances		**150,497**	162,235
Total current assets		**1,188,323**	1,014,504
CURRENT LIABILITIES			
Trade and bills payables	*13*	**271,624**	267,634
Other payables and accruals		**233,983**	174,433
Interest-bearing bank and other borrowings		**401,615**	352,550
Due to a minority shareholder of subsidiaries		**19,899**	2,128
Due to affiliates		**10,132**	30,226
Tax payable		**28,054**	21,545
Total current liabilities		**965,307**	848,516
NET CURRENT ASSETS		**223,016**	165,988
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,630,629**	2,239,688

	As at 31 December	
	2008	2007
	HK$'000	HK$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**281,845**	181,134
Advances from minority shareholders of subsidiaries	**29,119**	51,576
Other non-current liabilities	**85,419**	41,259
Promissory notes	**97,079**	95,959
Deferred tax liabilities	**229,580**	134,112
Total non-current liabilities	**723,042**	504,040
Net assets	**1,907,587**	1,735,648
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**53,040**	53,038
Reserves	**1,716,617**	1,562,238
Proposed final dividend	**2,122**	26,519
	1,771,779	1,641,795
Minority interests	**135,808**	93,853
Total equity	**1,907,587**	1,735,648

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 2007 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

In 2007, the Group acquired 67.69% equity interest in South China Land Limited 南華置地有限公司 (the "SCL") from a substantial shareholder who is also a director of the Company. In early 2008, the Group acquired an additional 0.79% equity interest in SCL from the same substantial shareholder.

The Company and SCL are ultimately controlled by the substantial shareholder of the Company before and after the acquisition. As such, the acquisitions in 2007 and 2008 have been accounted for by merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants as if the acquisitions had occurred on the date when the combining entities first came under the control of the substantial shareholder.

3. Turnover and segmental information

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 and geographical location is as follows:

	Turnover		Contribution to profit/(loss) from operations	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Continuing operations				
Trading and manufacturing	**1,880,796**	2,072,032	**53,731**	75,761
Property investment and development	**49,814**	39,931	**43,328**	142,400
Agriculture and woods	**3,423**	1,399	**(9,617)**	125
Investment holding	**-**	-	**46,831**	17,968
	1,934,033	2,113,362	**134,273**	236,254
Discontinued operations				
Travel business	**-**	1,481,589	**-**	3,029
Information technology	**-**	40,683	**-**	10,437
	-	1,522,272	**-**	13,466
	1,934,033	3,635,634	**134,273**	249,720

	Turnover		Contribution to profit/(loss) from operations	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
By geographical location#:				
The People's Republic of China ("PRC", including Hong Kong and Macau)	**195,040**	1,707,392	**87,860**	159,020
United States of America	**1,144,591**	1,260,659	**39,616**	61,215
Europe	**372,747**	457,341	**3,169**	20,201
Japan	**15,983**	11,898	**121**	539
Others	**205,672**	198,344	**3,507**	8,745
	1,934,033	3,635,634	**134,273**	249,720

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

4. (Loss) / gain on disposal of assets and investments

	2008	2007
	HK$'000	HK$'000
Gain on disposal of interests in subsidiaries	**319**	65,956
(Loss) / gain on disposal of financial assets at fair value through profit or loss	**(2,264)**	25,007
Gain on disposal of available-for-sale financial assets	**-**	9,912
Gain on disposal of investment properties	**1,424**	-
Gain on disposal of items of property, plant and equipment	**294**	4,649
	(227)	105,524

5. Excess over the cost of business combinations

Please refer to the section "MATERIAL ACQUISITIONS AND DISPOSALS" for details.

6. Changes in fair value of assets

	2008 HK$'000	2007 HK$'000
Fair value gain on investment properties	**31,941**	103,603
Fair value gain on biological assets	**5,893**	6,217
Fair value loss on financial assets at fair value through profit or loss	**(27,771)**	(4,190)
	10,063	105,630

7. Impairment of advances to an associate

It included a provision for financial guarantee to the associate for HK$14,700,000.

8. Profit before tax

For the year ended 31 December 2008, profit before tax is arrived at after charging depreciation of approximately HK$43,466,000 (2007: HK$44,578,000) in respect of the Group's properties, plants and equipments.

9. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

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

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

	2008 HK$'000	2007 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation		
From continuing operations	**78,004**	405,496
From discontinued operations	**-**	8,324
	78,004	413,820
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,651,951,113**	2,651,734,214
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**87,473,529**	176,717,743
	2,739,424,642	2,828,451,957

The Company's share options have no dilution effect for the year ended 31 December 2008 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 2008.

11. Construction in progress and Properties under development

During the year, the cost of construction in progress for building of the commercial complex in Shenyang, the PRC was reclassified from Construction in progress to Properties under development to signify the intention of the said property being held for sale.

12. Trade receivables

The Group's trading terms with its customers are on credit with credit period ranging from period of one to three months, depends on a number of factors including trade practices, collection history and location of customers. Each customer has a credit limit. The Group maintains strict control over its outstanding receivables and credit control department has been established to monitor the potential 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 balance sheet date based on invoice date is as follows:

	2008	2007
	HK$'000	HK$'000
Within 90 days	**151,416**	115,373
91 to 180 days	**10,877**	15,654
181 to 365 days	**3,521**	2,288
Over 365 days	**5,278**	2,396
	171,092	135,711

13. Trade and bills payables

Included in trade and bills payables of the Group are trade payables of HK$268,108,000 (2007: HK$263,857,000) and their aging analysis based on invoice date is as follows:

	2008	2007
	HK$'000	HK$'000
Within 90 days	**191,942**	223,491
91 to 180 days	**22,298**	24,507
181 to 365 days	**2,925**	5,199
Over 365 days	**50,943**	10,660
	268,108	263,857

The trade payables are non-interest-bearing and normally settled on 90-day terms.

MATERIAL ACQUISITIONS AND DISPOSALS

In January 2008, the Group acquired the controlling stake in certain associates of the Group at a total cash consideration of RMB55.8 million through the acquisition of the entities set out below:

a) the entire interest in 南京第二壓縮機有限公司, which is engaged in property holding and manufacturing of compressor;
b) the entire interest in 南京電機有限公司, which is engaged in property holding and trading of flowers; and
c) 85% interest in 南京液壓件二廠有限公司, which is engaged in property holding and has a 49% owned associate engaged in manufacturing of hydraulic press.

The Group recognised a gain of HK$172.8 million on acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK$1.9 billion and profit attributable to the equity holders of the Company of HK$78.0 million for the year ended 31 December 2008, representing a decrease of 81% in profits over the results in 2007.

Trading and Manufacturing

The segment recorded a 9% reduction in turnover to HK$1.88 billion and an operating profit of HK$53.7 million, a decrease of 29% as compared to HK$75.8 million in 2007.

The year 2008 was a very tough year for manufacturers. In the first half of last year, profit margins were eroding by the appreciation of Renminbi, high labour costs and spiraling commodity prices. In the later part of the year, the collapse of the giant financial institutions in the US spiked the downturn of the US consumer market. In face of the unpredictable adverse impacts on both costs and a weaker consumer market, our management team took a more conservative approach in bidding for new products to try to ensure a reasonable gross profit margin and that accounted for the substantial reduction in turnover from our toys segment. As compared to 2007, the turnover of our toys business reduced from HK$1.5 billion to HK$1.2 billion in 2008. Our shoe manufacturing operation, however, had a year-on-year increase in turnover by 14%.

Overall our manufacturing operations of toys, electronics and shoes made reasonable operating profits in spite of the severely adverse market conditions through a series of stringent overhead and material costs control measures during last year. The Group's other smaller size trading and manufacturing operations in Tianjin and Nanjing are focused on domestic sales and recorded minor losses.

Property Investment and Development

Investment properties

Early last year, our Group expanded its interests in the PRC by increasing our controlling stake in certain joint ventures that hold sizeable property sites within the central district in Nanjing. The value of net assets attributable to the Group acquired, including investment properties, prepaid land lease payments and leasehold buildings, all being at fair value, exceeds the consideration paid for the acquisition, giving rise to an excess over the cost of business combination of HK$172.8 million recognised.

The 25% rise in turnover from our investment properties was the effect of consolidating the rental income from those subsidiaries after our increase in controlling interests, together with an increase in rental on renewal of tenancies for our local properties. The investment property segment reported a HK$11.4 million rental profit and recognised a fair value gain of HK$31.9 million for the year.

Our share of profits of the Group's 30% owned principal associate that holds the Grade-A commercial building in Central, The Centrium, reflected a 32% increase in rental income as a result of the great demand for office space in a prime location. The fair value change on the property however was a net loss of HK$18.5 million on revaluation at the year-end (2007: a net gain of HK$193.5 million) which rendered the share of results of associates for the year 2008 to a net loss position.

Development properties
The Group's property development projects are mainly in China and held under South China Land Limited 南華置地有限公司, a subsidiary listed in the GEM Board. The development projects are all construction in progress at the present stage and have not contributed any turnover or profits to the Group yet.

Shenyang property project
Despite the cooling of the property market in China, the demand for commercial property in Shenyang remains strong, especially in the prime commercial area where we are located. Our major property development project, the building of the upscale 7-storey shopping complex, *Fortuna Plaza* (formerly known as *South China Landmark Plaza*), is well underway. The principal contractor was appointed during the third quarter of 2008 and at the end of 2008 construction up to the ground floor was partially completed. The construction of the upper levels is now progressing on schedule. We have commenced the marketing campaign for the project which looks promising on testing of the market interest so far.

Cangzhou/Hebei property projects
Since signing our first Hebei project in 2007 of 420,000 square metres site area in Zhongjie (中捷), we signed an additional three projects in the Tianjin-Bohai Coastal Economic Development Zone in the year 2008. Specifically, we have a further 866,000 square metres of site area for a high-class commercial/residential development project in Zhongjie, a framework agreement for a development project of 450,000 square metres of site area in the commercial district of Huanghua (黃驊市) and a development project in the commercial district of Nandagang (南大港) for 620,000 square metres of site area.

Our phase one pilot relocation and redevelopment project in Zhongjie performed within expectation last year. The 6,000 square metres of site area was successfully demolished and existing tenants relocated, with 89% of the available units were sold up to the end of December 2008. With the construction work expected to complete in April 2009, we are confident to continue this business model for the remaining areas of the project.

The relocation projects in the commercial district of Nandagang (南大港) have been put on hold as the negotiation with local government regarding the terms of the project is under review. However, we are open to any option to resume the projects if the forecasted return meets our expectation.

Chongqing Nanchuan (重慶南川) property project
During the year, we also signed a preliminary agreement with Chongqing Nanchuan Municipal Government in relation to a property development project that covers up to 13,334,000 square metres of suburban area in Chongqing. The project includes development and construction of new and modern agricultural estates, agricultural related tourism centre, country parks and hot springs holiday resorts. Details of the development plans are still under negotiation.

Agriculture and Woods

Our expansion into the forestry business last year has been re-focused on higher quality land that is closer to the populated areas of Chongqing as well as Wuhan and Xi'An. During the financial crisis in the second half of the year, many sizeable competitors for forestry land pulled out of the market, leaving us with a better selection of land available. We continue to face pressure of rising acquisition price as time goes on despite the financial crisis, and we expect the asking price to continue to increase in the foreseeable future.

Our agricultural business units reported an operating loss of HK$15.5 million for last year, before a fair value gain on revaluation of the biological assets of HK$5.9 million, as they are largely at investment stage. The loss for the year mainly attributable to the initial costs of the newly established Chongqing, Wuhan and Xi'An units. Our first crop in Hebei province of the winter dates plantation was realised in the year producing a minor gross profit margin for the year. Although this is only the first crop of the farm with the majority of the crops in the investment stage, it is a promising indicator for the outlook of the fruit plantation overall.

In view of the increasing demand and rising sales prices for agricultural produce in the Mainland, the segment will be a main growth direction in the foreseeable future as we continue to expand our current portfolio of farmlands and woodlands. Backed by the current government macro policies to transform massive rural area in realisation of its commercial market value in the Mainland, it is expected that our agricultural operations will bring new business opportunities to the Group. In Guangzhou, we are now in the process of negotiating with the local government on the usage conversion of our lychee farmland there. If it was materialised, those farmlands could be converted to development sites (建設用地) for commercial constructions and usage.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had a current ratio of 1.2 and a gearing ratio of 14.8% (31 December 2007: 1.2 and 10.4% respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK$281.8 million to the Group's equity of HK$1,907.6 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

PROSPECTS

Trading and Manufacturing

We expect the year 2009 is still a challenging year to the Group's manufacturing operations. The overall market demand worldwide will be weakened especially in the first half of the year due to poor spending sentiment amidst the lingering economic slump. High-priced products will move much slower as compared to those basic categories. Keener price competition among manufacturers on middle to low-end items may squeeze profit margins.

The Group is cautiously optimistic as to the ongoing performance of our two main manufacturing units Wah Shing Toys (WST) and Tianjin South China Shoes. WST has run an aggressive lean program to rationalise organisation structure and manufacturing activities in improving operational efficiency with the help of implementing the new enterprise resource planning (ERP) system. Late last year, it laid the foundation of original design manufacturing (ODM) business with a few new ventures successfully launched in the market. We hope to capitalise our strength in research and development on expanding our ODM capacity in the creation of new consumer products that will give us greater growth momentum in the coming years. Likewise, our shoe manufacturing unit in Tianjin is anticipated to keep up with its steady growth this year with its strong management team and tight long-term relationship with its customers, of which, one is the biggest consumer product retailer in the world.

Barring unforeseen circumstances, we expect this segment to record better results in 2009 than the previous year.

Property Investment and Development

The acquisition of an equity stake in our Nanjing's property portfolio is expected to bring further increase in rental income as well as high development value to the Group in the coming years. Given time for renovation and restructuring the tenant mix, it will bring greater returns to the Group in the foreseeable future.

We anticipate long-term growth in demand in the PRC consumer/retail market, especially in the second tier PRC cities, which will provide excellent investment opportunities to the Group. The demand for commercial properties remains strong and the expected return from the property market of PRC will be promising.

For the development of *Fortuna Plaza* in Shenyang, the construction progress of the shopping complex is satisfactory and is expected to be completed before the end of 2009. Pre-sale is expected to commence in the first half of 2009. With the continuous increase of spending power in the region, we expect our retail spaces will attract keen interest and the successful launch will provide strong support to the Group's cash flow in the near future.

In Hebei, our current relocation projects and land redevelopment projects have a total site area of around 1,286,000 square metres in Zhongjie. With the completion of the sales process and legal documentation of the first phase's property, we anticipate that the project will start to bring revenue contribution to the Group in 2009. Phase two of the relocation project in Zhongjie is expected to be launched in the first half of 2009, which would involve the re-development of a residential area covering 9,092 square metres.

For other development projects in Hebei, we are considering very carefully the expected return from relevant projects. Negotiation with the local government regarding the terms of the projects is undergoing. We, however, are confident that the economic growth of the area will bring considerable value to our investments.

Agriculture and Woods

The new focus for this year will be on expanding the quality agricultural land in Chongqing, Wuhan and Xi'An as during 2008 we have already identified and negotiated a number of sites suitable for development over the regions. We expect to finalise land acquisition within the year and initiate large-scale production during the later half of this year with a sizeable fruit production base.

Looking ahead, the future of agriculture and forestry is very promising for the Group. The segment is least affected by the global financial meltdown because of the hiking demand for basic commodities. Upon realisation of the macro policies in commercialising rural lands for constructive usage, our agricultural and forestry land bank portfolio in the Mainland will reflect its real and significant economic asset value in the market.

FINAL DIVIDEND

The directors recommends the payment of a final dividend of HK0.08 cents (2007: HK1.0 cents) per share, which amounted to approximately HK$2.12 million (2007 : HK$26.5 million) in respect of the year ended 31 December 2008 to the shareholders whose names appear on the register of members of the Company on 9 June 2009. No interim dividend was paid during the year ended 31 December 2008.

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 8 July 2009.

CLOSURE OF REGISTER FOR ENTITLEMENT TO FINAL DIVIDEND

The register of members of the Company will be closed from 4 June 2009 to 9 June 2009, 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 3 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices containing in Appendix 14 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 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2008, 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 audit committee comprises three independent non-executive directors, namely Ms. Li Yuen Yu, Alice (Chairman of the audit committee), Mr. Chiu Sin Chun and Mrs. Tse Wong Siu Yin, Elizabeth.

The Group's annual results for the year ended 31 December 2008 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 of
South China (China) Limited
Ng Hung Sang
Chairman

Hong Kong, 21 April 2009

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.